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SEPTEMBER 2, 1996

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Maclean's This Week

CANADIAN
WEEKLY
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SEPTEMBER 2, 1996 VOL. 23 NO. 36

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The new spy wars

At the end of Cold War, there were predictions that spies would be out of business. But global espionage is alive and well—and targeting economic secrets. Canada is a key battleground and Ottawa also watches on the world through a controversial—and super-secret—intelligence agency.

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The premiers on the offence

Meeting in Jasper, Alberta, the premiers demand a stronger say in setting national standards on social policy. But the debate also revealed some sharp divisions between rich and poor provinces.



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Rex of the Rock ponders Canada

In the two years since Rex Murphy burst upon CBC TV screens to dispense his pungent dispatches, he has become the undisputed colonel—a quirky, unrelenting presence who has etched himself upon the country's consciousness.



PHOTO BY JEFFREY M. HARRIS

From The Editor

The more things change....



The following is a guest editorial by Macklem's Executive Editor Carl Macklem.

Returning home from 2 1/2 years on a *Macklem's* posting in the United States provides minor spoilers of culture shock. It is partly just the usual mild discomfort caused by changing places—city things like shedding sunglasses, which become habits in Washington. Or the new need to scorch backyard vegetation instead of controlling a subtropical landscape where a Washington gardener barely notices it is the screen door before the seedlings just planted are a tangle of growth. A more pointed change is getting accustomed to public debate in a lower key in Washington, let a note of political controversy sound as the sun rises over Capitol Hill and, by sundown over the Potomac River, it is a conspiracy of silence in Congress, a subject for casual discussion in the news media and a target for sarcasm in the scripting of late-night TV talk shows. By the morning after, as only slight misapprehension, the energy is onto a different issue, yesterday's exposure for action fulfilled perhaps by quack legislation.

In Canada, the rhythm of controversy seems comparatively more sedate—sure it is said, slower and duller—it often so low intense. There are debates in the United States that endure and heat. The historical states-rights issue is hot again as President Bill Clinton badly divides Washington as it does to public welfare, that contemporary Canadian topics seem even more durable—crisply personal, in truth, subjects for dinner.

Witness last week's gathering of the 10 provincial premiers and



Harris, Klein and Leach discuss the ongoing struggle.

the leaders of the two northern territories in Jasper, the Alberta town in the heart of splendorous Jasper Park (a national park, 6 named and run by Ottawa). Guided by their host and chairman, Alberta Premier Ralph Klein, and by Ontario's Mike Harris—Quebec's Jacques Leschard a beamed onlooker—the press subject involved the contrasting struggle between the regions and the center of the federation over spending power, tax, by extension, taxing power. This topic, as in many other matters—solidly, a fixation on restraining governmental budget deficits, and taxation—is an echo of U.S. political disputes. Or vice versa. The particular Canadian focus is on healthcare, among other social services. At least by implication, the question is whether the services should be financed wholly from the public purse, as now, or at least partly by the users—and whether any should be run primarily for profit. At the root of the issue is a claim that, as Ottawa cuts its contributions to the shared-cost programs to less than half a share, the regions ought to get a greater

say—the entire say, suggest as Ontario trustee—in deciding the quality and quantity of the services rendered. In the Jasper debate, the case now strongest is the outside between the leaders of longtime antagonists Alberta and Ontario. Otherwise, look to the history books for the "Climax of the Province" at Canada's first federal-provincial conference, at Ottawa, Nov. 3 to Nov. 10, 1927.

Provincial responsibility for numerous services of a national character are increasing without a corresponding increase in its source of revenue. At that meeting, the premier of British Columbia offered one to say to how the previous could finance progress of national import: "The withdrawal of the federal government from the income tax field." They wish.



Morris: Another world.

ics," says Morris. Moreover, Canada is a key player in the global game. "Like many Canadians," says Morris, "I had assumed that we were small by I found out otherwise."

Morris pulled together a wealth of information about global movements—including between the United States and Canada—for the main story. She also met with two former employees of Ottawa's top-secret Communications Security Establishment and interviewed a string of other sources for a

hard look at how Canada spies on the world. And the Research-Reporter Showers. She talked to corporate leaders for a final piece on business risks.

Morris was not unfamiliar with the world of espionage. For the five years before she joined *Macklem's* in mid-1995, she worked as a correspondent in Berlin, which was, as she says, "the spy capital of Europe during the Cold War." Having covered the fall of the Berlin Wall, Morris watched all that changes in the decade unfolded

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Newsroom Notes:

Spying on the spies

When the Cold War ended, many conspiracy gists and that the era of cloak-and-dagger spying was over. Hardly. As Senior Writer Norma Morris found in working on the week's cover package, the world's keyhole watchers have simply moved on to new fields of intelligence-gathering. "The new priority is econom-

To be or not to be

Your Aug. 18 cover featured a beautiful photo of what we all once were—a child in the womb ("Beyond abortion"), and the stark read "Life on Mars?" How totally bizarre it is to be excited about possible ancient organisms on Mars and at the same time no longer even need to discuss the need to legally protect living children in the womb here on Earth.

Joe Wright,
Chatham, Ont.



Beyond abortion, advances in science move us debates back onto the front burner

Only the fetus's relationship with the mother is relevant to the abortion issue. In the realm of justice, individual rights do exist personhood, not vice versa. Fortunately, the Supreme Court of Canada recognized this in 1980 by ruling that in a just society a pregnant woman's individual right to control her own body cannot be less than it is for a person. The anti-choice movement is guilty of putting the cart before the horse with respect to the just correlation between personhood and individual rights.

Chloë Goodwin,
Sichuan, Ont.

LETTERS TO THE EDITOR

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Maclean's welcomes readers' views but letters may be edited for space and clarity. Please supply names, address and daytime telephone number. Subscribers may appear in Maclean's electronic only.

Dance and sport

I wish to register my objection to the contents of the article "The banish on the dance" (Cover, Aug. 12), which states: "And the type, the commercialism and the absurdities (absurdities that will persist—balloon dancing might be an ethical demonstration sport in Sydney), it was hard to find reminders of the Olympic spirit." The inference that it is absurd to consider sport dance, originally known as ballroom dancing, as an Olympic sport is insulting to the thousands of athletes who are pursuing this sport around the world. I believe that sport dancers must meet conditioning standards as strenuous as many present Olympic athletes, and are willing and capable of upholding the Olympic traditions and customs set by competitors in other sports. I sincerely trust that we will be given the chance of doing so.

K. W. McNeil,
President, Canadian Amateur
Dancesport Association,
Halifax

The article "They died in death" gives a one-sided, negative impression of the part of Toronto in which I live. The area near Parliament and Gerrard streets is described as "tough, inner-city Toronto." More accurately, it is an area of great diversity. The street I live on is packed around its residents: nursing-home residents, professionals and people employed in the arts. Too many critics have been ensnared by the impression that their centres are too tough for respectable people to frequent. If the purpose of this description is to depict anti-abortionist Rosary Council as a heresy for standing at this corner (where I regularly wait for the streetcar), how much more heroic she would be if she attempted to understand the social problems that create the need for abortions in inner-city Toronto.

Rita Barone,
Toronto

I would like to respond to the portrayal of myself and my circumstances in Maclean's recent article "Beyond abortion." I must clarify a couple of points. My other children were not "removed from" my "Toronto home by children's aid officials." They were given by me into the care of relatives as a special effort to prevent them becoming the victims of children's aid officials. I will thank you to retract that statement. Indeed, where I am quoted as saying that enforced entry as treatment programs is a bad idea, the possibility of such removal of children from their mother is a large motivator for women to reject treatment. There is always a fear that once children are surrendered to outside authorities, they will never be returned. That is by itself enough reason to prevent a mother from seeking treatment, but more central an issue for the addict is that the children's treatment is

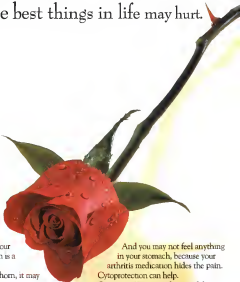
only a punishment; and that once it is completed the urge to return to drug use is huge, both a rebellion against the authority that imposed the punishment and a relief from the pressures and tensions that accompanied it. Harmful as drug use is to us moderns, being in the care of a raped mother can be terrifying, agonous, even deadly to a child. I am not "firmly opposed to forcing pregnant addicted women into drug treatment to protect their fetuses." I believe that both fetus and child should be protected as far as it is reasonably possible to do so. What I do believe is that it is a dangerous mistake to force treatment upon a person intent on denying their illness. I accepted my illness and sought treatment. I do not have strong opinions about who has rights to what. I am only grateful to have a happy, healthy child, and hopeful that other women in any situation will be as fortunate, both in finding a beneficial program and in receiving results as joyful as mine have been. I just hoped that the article would not treat pregnant I just this letter close.

Wendy Corrie,
Toronto

Ongoing debates

Does Francis's latest salvo against transophiles ("Ottawa badly out of touch—yet again," Aug. 19) needs to be put in context. She states that the transophobe minority has more than enough protection for its language and culture." But

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SEARLE

Small steps lead to great strides.

Opening Notes

Edited by BARBARA WYCKINS

Setting sail with special effects

A Canadian TV production being a shot in Cape Town and Toronto is hardly the way far the next wave of high-tech, low-cost TV and film production. The *Adventures of Sinbad*, a new weeknight fantasy-adventure TV series being produced by Toronto-based Alcora Films Ltd., combines live actors and computer-generated images to create a world with a variety of monsters, galleys, harpies and assorted bizarre creatures unlike any yet seen on the small screen. "This show could not have been made even a year ago," says Neil Williamson, vice-president of Cable Digital Design Inc., the Toronto-based company creating *Sinbad's* animation and digital effects. Williamson notes that recent advances in both computing power and communications technology have made it possible—and affordable—to work simultaneously in two locales with a world apart—as effect in a virtual studio.

Canadian actor George Buza (Sinbad's older brother, Duvalier) and American screenwriters Zen Gerson (Sinbad) and Jacqueline Collen (his screen's apprentice, Maeva)



Sinbad, Collen, virtual sea monster (left), harpies and assorted creatures

are showing their roles against South Africa's stunning geography. Thus, using dedicated web-based software, live actors, animators and the Internet, the sequences from Cape Town and special effects from Toronto are fused into a seamless pseudo-reality. *Sinbad* will premiere on the CTV/Max Global system in Canada on Sept. 7, while All-American television Inc.—the Los Angeles company that gave the world *Baywatch*—is syndicating it in the United States. "This is like creating a new world every week," says production designer Gavin Mitchell. "Vintage Postcard photos of *Indiana Jones* in the style of the Victorian romantic view of Africa

Linking ethnicity and earnings

Many Canadians pride themselves on living in a relatively fair and just society. But a recently released study by Simon Fraser University economics professor Kristian Pendakur raises some cause for concern. Co-authored with his brother Ravi Pendakur, a researcher with the federal department of Canadian heritage, *The Colour of Money* reveals startling differences in earnings among Canada's ethnic groups. Using data from a three-per-cent sample of 1991 census respondents, the authors compare earnings of those of the same age and education working in comparable jobs. Canadian-born visible minority men earned, on average, 8.3 per cent less than their white counterparts. For male visible minority immigrants, moreover, the gap is even wider. The report also shows striking differences among those living in Canada's three major cities. But the economist does not offer a hypothesis about the disparities. "In my view, that work lays facts on the table more than it is able to tell us why," he asserts. Perhaps that will require some national soul-searching.

Visible minority males (Canadian-born and immigrant) earned less than white Canadian-born males



A piping hot band

It is also to the Russian wailing band-its Canada's pipe band—once in a row. Last week, 30 members of Burnaby's Storm Fraser University Pipe Band flew home to Vancouver after capturing the annual world pipe band championship in Scotland for the second year running. The best of 199 bands from around the world that gathered on Aug. 17 in Glasgow, Green on the banks of the River Clyde, the SFU squad has earned a spot in the history books. Only one other band from outside Great Britain has ever won the title competition, once dominated almost exclusively by the Scots—Toronto's 76th Fraser Highlanders in 1987. But never before has a team from



Like the competition, not very hot!

outside the United Kingdom snagged the coveted title back-to-back.

Dressed in their trademark black jackets and orange, blue and green sashes—like Fraser train kids, the world champions—who beat five CD recordings had play at university libraries such as in concert—travels 58 bagpipers and 13 drummers. About a third of the members are SFU students, alumni or staff while others come from the local community. "The competition was very stiff," says SFU pipe major Terry Lee, the band's 40-year-old leader. "But I think we were a strong band overall that we were in the previous year." Like a good pipe major, he says the SFU squad is getting even better with age.

BEST-SELLERS

FICTION

1. *London Girls*, Tim O'Leary (1)
2. *Secret of the River*, Anne Stoltz (2)
3. *Not on Your Mind*, Ann Meehan (3)
4. *The Night Shift*, James Bayfield (1)
5. *The Last Day*, Anne Stoltz (2)
6. *Days of Death*, James Bayfield (1)
7. *A Day of Death*, James Bayfield (1)
8. *The Rainy Season*, Anne Stoltz (2)
9. *Secret of the River*, Anne Stoltz (2)
10. *The Canadian Princess*, James Bayfield (1)

NONFICTION

1. *Secret, Not a Lie*, David Ford (1)
2. *The Silent Partners*, Scott Adams (1)
3. *Unsettled Business*, David Gordon (1)
4. *The Rainy Season*, Anne Stoltz (2)
5. *Enter the Zone*, Jerry Seinfeld (1)
6. *Secret, Not a Lie*, David Ford (1)
7. *In the Night*, William G. O'Connor (1)
8. *Secret, Not a Lie*, David Ford (1)
9. *Secret, Not a Lie*, David Ford (1)
10. *Secret, Not a Lie*, David Ford (1)

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Unravelling a mystery



This includes the astonishing claim that Mary's father (Simpson) was, in fact, genetically male.

Lofty largesse

Money, art, buildings—these are the usual gifts bestowed by philanthropists. But Keith Bantam, a 73-year-old retired engineer, has given new meaning to the word largesse by giving away a mountain. He donated Canada's Pinnacle, a 700-foot high mountain overlooking Lillooet in Quebec's Eastern Townships on the U.S. border, to the three-village municipality of Township Bantam. His ancestors had purchased the mountain, and much of the surrounding countryside, in the 1800s as a timber supply for a massive sawmill operation. But the panoramic view from the top convinced the Bantams to maintain the mountain as a park. "We don't want to even see it developed," says Bantam. Township Bantam was happy to comply with that wish when it accepted the mountain, estimated to be worth more than \$1 million. The municipality also agreed to pay Bantam about \$30,000 to cover surveying charges and capital gains taxes. "We're more than happy to pay that amount," says Bantam. Bantam, mayor of Bantam Township, is now being given a lanyard and having only to pay the necessary plot to get it on the road.

Passages

AIRING: Nobel Peace Prize winner Mary Teresa, who turns 86 on Aug. 23, after suffering heart failure in 1987, India. The nun, known for her work with the destitute and the poor, was in a respirator in intensive care at Woodlands



Nursing Home late last week, although her condition had improved slightly.

Mother Teresa's heart, which has a pacemaker, had weakened when doctors administered medicine for a recurrence of malaria.

DIED: Native rights activist Mary Two-Axe Earley, 84, who pressured Ottawa into changing a section of the Indian Act that discriminated against Indian women, of residential status, in November. In 1968, she began lobbying for the repeal of a section of the Indian Act that stripped aboriginal women of their native status when they married non-Indians. When the act was amended in 1985, Two-Axe Earley became the country's first aboriginal woman to regain native status.

DIED: A notice from Bantam's star Pinnacle's Andrew Lee and his husband, McEwen. One daughter, Tony Lee, that Pinnacle magazine be prohibited from distributing a magazine of their Pinnacle, in Los Angeles. The last claim the Bantam was stolen from their Pinnacle home. In his ruling, Judge Ronald Simpson wrote that he decided against the couple because, while they have not consented to public or commercial use of the video, it does show them having sex in public—on a car on a highway and in a boat.

DIED: Steven Chivall, 58, son of former Canadian heavyweight boxing champion George Chivall, 58, of a drug overdose, in Toronto. Another son, George Lee, had also died of a drug overdose in 1985. Two days later, the boxer's wife, Jean, committed suicide. The couple's youngest son, Jesse Myles, fatally shot himself in 1985.

RELEASED: Punk musician Rick James, 47, from California's Palmdale State Prison after serving two years of a five-year sentence for molesting a woman and falsifying his heritage.

ARRESTED: Elizabeth Taylor's estranged seventh husband, Ray Furst, 44, for possibly being under the influence of a drug during two years of a five-year sentence in 1988 of the Betty Ford Clinic, where they both were being treated for substance abuse. Taylor filed for divorce on Feb. 5.

The politics of power

Before nine provincial premiers boarded the train in Edmonton for a five-hour trip to Jasper, Alta., it looked as though they would be in for a bumpy ride. In disputes over before their annual conference got under

word for word

way last week was a controversial working paper by economist Thomas Courchesne of Queen's University in Kingston.

Ont., proposing that the provinces take over full control of such issues as health care, welfare and education. The premiers from the poorer provinces, concerned about national standards, declined to discuss the report—

but decentralization is not about to be permanently derailed. Some excerpts from the Courchesne paper:

"It seems clear that the provinces would have to take the lead role. They will probably have to commit themselves to a convention embodying an appropriate enforcement and dispute resolution mechanism. But if they can accomplish this, then

the pressure for compliance falls on Ottawa. If the internal social-economic union is secured, there is no longer any rationale for federal aid transfers to the provinces as an enforcing mechanism. Given that the status quo is hardly a full-back position, Ottawa will have difficulty holding out, particularly if others embrace the 'balkan' initiatives of the provinces."

On the offensive

Friction over social policy ignites sparks among the provinces

Social issues are always lodged somewhere close to the heart of Canada's classic national identity: Medicare and welfare and concepts like equality and consensus. And so it is not surprising that when politicians sit down to tinker with—perhaps even dramatically reform—social programs, the fireworks go off. Last week, one of 30 provinces as well as the two territorial leaders who met privately at the 37th annual premiers' conference in the Rocky Mountain resort town of Jasper, Alta., finally agreed to a process to link back social policy reform. But along the way, fierce debate underscored the profound difficulty that diverse provinces and territories have in reaching agreement on complex social issues. It was a debate that grew especially heated around a report that was not even on the official agenda—a paper prepared for the Ontario government by economist Thomas Courchene of Queen's University in Kingston, Ont. In the most radical of two possible scenarios, Courchene suggested that Ottawa—which has used its financial muscle in recent decades to interpret and enforce national standards—withdraw completely from social programs. "The purpose of the report," Ontario Premier Mike Harris said, "is to stimulate discussion. Mission accomplished."

In public, at least, the discourse was cordial—even when it was clear that the participants' positions diverged. Quebec Premier Lucien Bouchard refused to sign on to the conference's major initiative—a call to unanimously reform social policy through a joint federal-provincial council. Bouchard said that he could not agree to a measure that would leave Ottawa in control to play a role in setting national standards on matters such as health care, education and welfare. But, he added, "I respect the decisions which are taken by my colleagues."

By then, the "Canadian document"—the decentralist thrust of which Bouchard had viewed much more warmly—had been shelved, at least for the duration of the conference. Not that it had ever really been on the table. The Ontario government publicly refused the paper just two weeks before the conference and Harris cited it in a kitchen speech to the Calgary Chamber of Commerce a day before the meeting began. Meanwhile, Alberta Premier Ralph Klein—who was at the same chamber luncheon—complained that national standards had changed over time into federal government standards. And he called for a return to jointly imposed principles.

The perception that one of Canada's richest provinces, despite past misadventures, was leaning up on the side of decentralization did not sit well with some of the so-called have-not provinces. Be-

fore they boarded the Sandford Fleming train that would take them from Edmonton to Jasper—a trip that Bouchard opted to forgo after it became known as "the sunny trail"—several premiers spoke out against any proposal to force Ottawa to abandon its role in social policy. Observed Saskatchewan Premier Roy Romanow: "It's the elephant saying as he dances among the dinosaurs. The air for decentralization." When they disembarked nearly two hours later, Klein announced that the Courchene report was not on the conference agenda. As Newfoundland's Brian Tobin later quipped, "Courchene was thrown from the train."

Quite apart from that report, though, the question of social policy reform evoked some of the underlying tensions among the provinces. As Nova Scotia Premier John Savage said in an interview: "I think there's a big issue in the background of all premiers' meetings, and that is what I call the two Canadas—the Canada that has and the Canada that doesn't have." And poorer provinces simply cannot afford to take on sole responsibility for social programs unless Ottawa also delivers the funding that goes with the responsibility. "Obviously," Savage said, "the argument of devolution is more significant on the have-not provinces."

Few would argue that point, although not all premiers shared Savage's vision of two Canadas. At the same time, the thrash through much of last week's debate tended to pit the provinces against Ottawa. Klein and others noted that health and social care are provincial responsibilities under the Constitution. The provinces, in fact, were involved in developing such national standards as the principles of the Canada Health Act. But the federal government has been able to interpret and enforce those stan-



dards by dint of its spending power. Ottawa's power had been a condition of social programs as conditional on complying with set principles.

Some provinces have long battled against that argument. But as the fiscally strapped federal government cut its transfer payments in recent years, opposition among the provinces has mounted. The provinces had already asserted that previous savings that the federal government should not continue to unilaterally set and police standards while it cuts transfers. Even Ottawa agreed to work with the provinces to find ways to set standards together. The council the premiers endorsed last week will work with the federal government rather than on its view, as envisioned by the Courchene scenario. The new council will be given six months, not to define national standards, but to set up a mechanism for establishing those standards.

The devil, as always, is in the details. And last week's pact left several unresolved questions, including how new national standards will be enforced. Manitoba's Premier Gary Filmon, for one, observed that "there's no point in signing an agreement unless you agree that you have to renege and ensure compliance with it." Demanded Alberta's Klein: "I don't like this word enforcement." But he conceded that there should be some "mechanism" for ensuring compliance as long as it is "sensibly different" from the status quo.

The Klein government has certainly been stung by the system now in place. Ottawa deducted some \$3.6 billion in health-care transfers to Alberta over nine months before it finally backed off and agreed to ban so-called facility fees for medical services in May. Ottawa ruled that the practice—doctors would charge patients for overhead while also billing medicare—contravened the Canada Health Act. It remains to be seen whether the new council can develop by the province—personally aware of federal-provincial agency ac-

Provincial and territorial leaders in Jasper, heated

PROGNOSIS: CLOUDY

As the Canadian Medical Association gathered in Sydney, N.S., to debate the future of health care last week, 85-year-old Gaila Bianchi was struggling through Toronto St. Michael's Hospital. Bianchi, who had a badly injured right eye, waited more than three hours in one of the hospital's clinics. When she finally saw a doctor, she had to wait four more hours before being given a 10-minute antibiotic treatment. In Sydney, many doctors argued that patients like Bianchi, who says she could have easily afforded it, should have the option of going to a private clinic. But with their own polling showing that Canadians overwhelmingly support universal medicine, the doctors handed a plea from their leadership and narrowly defeated a motion calling for the partial privatization of health-care services. "If we're first out of the trenches about forming a private system," warned outgoing CMA president Jack Armstrong, "we will be shot down."

Instead of calling for outright privatization, the 220 CMA delegates opted for a number of softer motions—but ones that, if acted upon, could still lead to a two-tier system. For example, they voted to limit medicare funding to "core health-care services"—without defining what those might be. They also agreed to lead a debate over the "private funding of medical services." Despite the night-winding, Hugh Armstrong, a professor of social work at Ottawa's Carleton University and author of *Waiting Away: Undermining*

Canadian Health Care, says the CMA is determined to create a private system. "The motions are cloudy," said Armstrong, "but they have decided to keep working away at private medicine."

For now, there is little public support for such a move. A CMA poll earlier this year found that 74 per cent of respondents would not increase public funding for medicare. Federal Health Minister David Ogilvie told CMA delegates last week that two-tier medicine was simply "not on" and that to move away from universality would be to "lose part of our cultural soul." But many doctors die in Ontario's health care system because of cuts in medicare funding by nearly \$3.5 billion since 1985 and intend to cut billions more over the next two years. Sen Ken Sig, a board member of the Ontario Medical Association, "Ogilvie should get his money where a mouth is."

Still, only the United States spends more per capita on health care than Canada, which spent a total of \$72 billion in 1995. And strained as the system is, no privatization, many analysts say, the debate should be about how doctors are compensated. Under health-care consultant Carol Kushner maintains that the current fee-for-service system should be replaced with one in which doctors are paid a salary to be part of a health-care team. "Whether that's selling out our system," said Kushner, "We have to become more efficient." But for an increasing number of doctors, efficiency means private medicine.

TOM FENNEL

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CANADA

tration panel—would be any more helpful.

What seems clear is that Ottawa is not prepared to go as far as some provinces would like in devolving federal authority. Federal Human Resources Minister Doug Young—who, along with an Alberta deputy, will co-chair the proposed joint council on social policy—told last week that he was eager to get on with the job. At the same time, though, federal Health Minister David Dingwall warned that Ottawa will not relax rules that ban extra billing, over fees and private clinics. The demand for some provinces for greater flexibility in these areas was a "code," said Dingwall, "for privatisation to sneak in. That's not as far as the government of Canada is concerned."

Still, by reaching consensus among themselves, the premiers of Quebec and Ontario managed to drive attention to another personal fissure in Canadian politics. One of the arguments in favor of free-ranging decentralization is convenience: if the Quebec report is that it would go a long way toward accommodating Quebec's demands for greater autonomy, but for that province's current separatist pretensions, the model adopted by the other provinces last week was fatally flawed. Bouchard's principal objection was that Quebec had never recognized Ottawa's right to use as spending power to influence health and social policy in the first place. Including Ottawa in social policy riders, he said, "will be a systematic recognition of the role of the federal government in provincial jurisdiction." And once Ottawa is part of that process, he warned, "it will slip—because of the dynamic of the situation—towards central control."

That integration was badly damaged by Bouchard's colleagues. They insisted that the point of the council is to get Ottawa to share control with the provinces. Saskatchewan's Hanson also pointed out that Quebec could opt out of any mechanism devised by the other premiers. But it was Newfoundland's Tobin who put the most enthusiastic spin on the agreement. "I think the most difficult thing for Lucien Bouchard today," said Tobin, "must be the great measure of discontent that he's facing about this change that's under way, all the time understanding that nothing will more undermine his drive towards sovereignty than a tangible demonstration that the federation is strong and is working well."

It will be at least six months before most mechanisms for tangible change are devised. And it is easier to set up a council that to set firm standards—especially in an area as sensitive as social policy. Whether the council on any the national state debate session to be seen. But to some extent, the future of Canada's very vision of itself—could well rest on the outcome of last week's deliberations.

MARY NEMETH in Quebec

CANADA

Somalia sideshow

An inquiry fixes on documents, not lives lost

Again and again, he was pressed for his vision of leadership and accountability. And again and again, Gen. Jean Boileau repeated his mantra: subordinates lacking an "overall vision" were to blame for the degradation of military public affairs documents in 1994. That action has become the unlikely focus of an inquiry into the Canadian Airborne Regiment's ill-fated mission in Somalia in 1992-1993 and, by week's end, lawyers representing those subordinates were expressing their impatience with Boileau's line of defence. Arthur Cogan, whose client is Col. Gregor Isham, the only man facing criminal charges arising from the so-called Somalia affair, was especially testacious. "It's convenient," Cogan told Boileau, "that [Isham] would now make such a vicious attack on your staff, who can now not come back to this inquiry to defend themselves."

So it went again last week as the 17-month-old Somalia inquiry continued to wrestle with a scattered set of documents that has so far kept its three commissioners from tackling the most troubling questions before them: how and why members of the Airborne participated in the torture and beating deaths of 16-year-old Shiikaleh Aweid in March 1993, and the shooting of other Somali civilians. Only after Boileau completes his testimony will the commission move on to examine the now-challenged Airborne regiment's actual mission in Somalia—a four-day foray marked by belated acts of racism and violence, and by such a fundamental breakdown in discipline that it has raised serious concerns about a leadership vacuum within the Canadian military.

In his civilian, the 65-year-old Boileau, who was elevated to his current position by Defence Minister David Collette in January, is emblematic of that leadership crisis. Although he played only a minor role during the mission to Somalia, Boileau has become embroiled in a controversy over altered military documents that were given to a radio reporter who was seeking admission in 1994 under the Access to Information



Boileau trying to maintain order after breaking the 'spirit of the law'

Act concerning the Somalia mission. Boileau, then the defence department's associate assistant deputy minister for policy and communications, has testified that he had nothing to do with altering the documents, but he has admitted to signing a letter telling the reporter that certain briefing documents no longer related where, in fact, they had simply been renamed. The deception, he conceded, broke the "spirit of the access law."

Col. Robert Rutherford, a former task commander, in last week's question Boileau's capacity for leadership. "Can you maintain good order and discipline in the Canadian Forces," asked Rutherford, "now that you have admitted to breaking the spirit of an act of Parliament?" Rutherford's measured words appeared to shake the normally staid Boileau. In a less-than-commanding fashion, the general replied that yes, he believed that he could.

Boileau's repeated assertions that junior officers had kept him in the dark about the altered documents were not well-received by civilian observers. Indeed, Collette, who quoted the view of former chief of defence staff Jacques Desrochers that blame must never be shifted downward. Boileau agreed with that statement, but then continued to insist that there is a distinction

between responsibility and accountability and that he cannot be blamed for actions he knew nothing about. Military analyst Nicholas Stethem, of the Toronto-based Strategic Analysis Group, told *Maclean's* that he shared Collette's concerns. "Gen. Boileau's position is inherently contradictory," says Stethem. "And his stubborn refusal to accept the blame shows that he will not go easily."

Boileau revealed last week that he had offered to take a leave of absence until the controversy over his role in the Somalia affair was settled. But he said that Collette, among others, advised him to stick things out. It was also disclosed that military investigators had at one point suggested that Boileau take a polygraph test (Boileau was not asked, nor did he say, if he actually passed or failed a lie detector). For all of that, Collette maintained his steadfast defence of the general last week, saying that the general "has done a very good job in difficult circumstances."

Boileau's manner, his brooding air, his indecisive but being gruffed at the inquiry is an unpleasant experience for a man who, until recently, enjoyed a highly successful military career. Upon graduation from the Royal Military College in Kingston, Ont., in 1971, Boileau earned his pilot's wings and began his ascent through the ranks. Since 1981, he has been at defence headquarters in Ottawa, and kept one more senior general to become Canada's youngest-ever chief of defence staff.

Boileau has again said that as a young man he was inspired by the motto of the Royal Military College, "Truth, Duty, Valor." But last week, even those words were turned back on him. Cogan, as part of his withering cross-examination of the general, suggested that Boileau was using the unofficial military college motto of "Don't get caught" in his defence. "Is that?" Boileau replied sharply. It wasn't the first time that Boileau seemed pained by the unwelcome spotlight he is in. And if last week's exchanges are any guide, it will not be the last.

LUKE FISHER in Ottawa



Charest with party delegates, striving to win over mainstream Canada

CANADA

A Tory map to the middle of the road

Ryan Craig loves to rollerblade. He starts in the Stouffville Flyers, skates to the Neil and Steve Smith almost as much as bench Friberg. Aik has about politics, though, and Craig, a 21-year-old personnel officer for the Manulife Levee Corp. in Winnipeg, becomes doubly earnest. He favors a return to capital punishment. He wants to see the Canada Pension Plan dismantled and the health-care system at least partially privatized. He supports deep tax cuts and a speedy end to the deficit. If those views make him seem old beyond his years—a young fogey, in other words—Craig can live with that. “These things are common sense,” stressed the president of the Manitoba wing of the Progressive Conservative Youth Federation over a breakfast debate. “Labels like left or right won’t mean anything any more.”

Maybe not. But last week, at the Progressive Conservatives’ national policy convention in Winnipeg, the young and conservative had their undeniable moment in the sun. In the end, they did push the party further to the right (at least to accuse Dr. Lester B. Pearson a professed sceptic for not federal election, to win the Tories on the only middle-of-the-road national alternative to the governing Liberals. But at that point, more life and a hint of real drama into the affair. And when it was over, everyone appeared to part as friends. The Tory youth, which comprised about

300 of the 1,200 delegates at the convention, were elected. That the party establishment had at least heard them out. Charest, meanwhile, had won broad approval for the sort of moderate policies that he had would appeal to mainstream Canada; at the same time, he made enough concessions to the more right-wing elements in his party to keep them. It is hoped, from deferring to the Reform party. “We have emerged from this conference with policies based on principles and centered on the deficit,” declared the 26-year-old Charest in his closing speech to the convention on Saturday. “We have done this in the knowledge that this new century calls for a new generation of leadership.”

At the very least, the constituency is in a party with warm blood flowing through its arteries, youthful-looking and vigorous. It also got to see a confident and relaxed-looking Charest, who stood at times as if the next election campaign had already begun. In fact, Charest, who had recently returned from a vacation with his wife and three small children in Quebec’s Eastern Townships, brought few signs of the months he has spent traveling across the land trying to rebuild the party after the 1993 electoral debacle—from a two-term majority government to only two seats in the House of Commons. Charest’s

Prime Minister Jean Chrétien’s Liberal government were accountable. And, in a one-to-one debate, he said to possibly disaffected party members. Manning wrote that, should the policy convention fail to take a strong stand against government over-spending and special status for Quebec, “our door is always open for well-meaning Canadians, of whatever political stripe and background, to join us directly in the fight for a better Canada.”

Charest professed to be flattered by the attention. “I thought it was quite a compliment that the person who was trying to organize my funeral has shown up at my birthday party,” he told reporters. That Manning’s very public overtures underscored one of the challenges facing Charest, making out his party’s place in Canada’s increasingly crowded right-of-center political field. With both the Reform party and the Liberals preaching fiscal restraint and a tougher stance against crime,

Charest is handicapped to distinguish his message from that of his opponents. As Vancouver-based broker Angus Reid, who flows to Winnipeg to discuss Canadian social policy with the Tory caucus, put it in an interview: “The Tories are caught on a traffic jam in the center-right of this country and are finding it hard to break through.”

That may be something of an understatement. According to a poll released last month by Rasmussen, public support for the Conservatives lingers at 32 per cent, putting the party as a tie with Reform, but well behind the Liberals at 57 per cent. Privately, party strategists say the next election may turn out to be about simply surviving to fight another day. In that regard, they add, the party must, at the very least, win the 12 seats needed for the

Tories to be recognized as an official party in the House of Commons. A few party stalwarts, meanwhile, were setting their sights much higher. Former prime minister Joe Clark, who attended the convention, told Manning that “we’ve traced a corner under Mr. Charest as leader. We have a chance of forming the next government.”

Not many of his fellow Tories were willing to go that far. In fact, some openly worried that the party would continue to be haunted by the largely antipathetic public image of another former prime minister, Brian Mulroney. During one session, a delegate asked Charest if the Tory back rooms were still dominated by advisors from the Mulroney era. “You just question a lot these days,” replied Charest. “They say, ‘What about Mulroney?’ as though this is some sort of ghost that will haunt us in the future.” Then, as he has done in the past, Charest—who served for a total of six years as a cabinet minister under Mulroney—sought to put a positive spin on that perception. “When you hear our adversaries go out on the campaign trail and utter the word ‘Mulroney,’” he said, “stop and savor the moment. It means we’re doing quite well.”

In the same line, Charest did not shy away from another unpopular legacy his party’s failed attempts in government to win public support for constitutional changes designed to appease nationalist

sentiment in Quebec. Included in the party’s policy blueprint prepared in advance of last week’s convention was a national unity package that Charest helped to write. It would extend the recognition of Quebec’s distinct society to institutions as well as the province’s language and culture. Even though some delegates openly worried that the initiative could cost the party votes—especially in Western Canada, where the Reform party’s clear rejection of any special status for Quebec has proved

Can the Tories, so utterly rejected just three years ago, win back public trust?

popular—amendments to water down Charest’s proposals were defeated.

That was just one of many instances in which Charest and his fellow Tory moderates earned the tag. Also voted down were proposals to repeal the holidays act, to replace the Canada Pension Plan and to ensure that Canada’s loans did not exceed those of the United States. However, Charest did leave Winnipeg abiding support for a substantial tax cut, later established by the party at a level of 33 to 35 per cent. And he also appeared to throw the right wing a bone or two by praising

tougher penalties for young offenders and to eliminate state-sponsored multicultural programs.

The policy conference thus negotiated. Tory organizers were already looking to the future. The party has paid off its debts. Riding associations are up and running. And a national election soon Charest introduced last week in long in experience. “Open-mindedly, we’re as fit as a fiddle or better than the Liberals,” boasted key Tory adviser Hugh Segal.

From here, until the next election, say party strategists, the plan is to hammer away at the Liberals, hoping all the while that the Reform party will continue its precipitous drive in the opinion polls. As well, the party will strive to shift the burden of focus from the leader to the Tory brand of candidates, which, by year’s end, is expected to be at least 100 strong.

Then comes the hard part—convincing the public that the Tories, so thoroughly rejected only three years ago, once again deserve its trust and support. In Winnipeg, Charest said the way to do that was through temperate action. The degree to which he is correct may well decide if last week’s convention will be remembered as a turning point for a fallen party—or just another blip on its road to oblivion.

JOHN DeMONT in Winnipeg

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For girls in the Philippines' cities' sexual in Belgium (below) appears above

'THEY ARE MONSTERS'

The two bright-eyed eight-year-old girls had been abducted by a ring of pedophiles, sexually abused and finally left to starve to death in the hands of one their captors. And last week, Belgium's 10 million people ended its mourning their passing. Flags flew at half-staff, a minute of silence was observed across the country, and 100,000 people lined the streets of Leuven, 60 km from Brussels, for the funeral procession. Many wept, while others simply waved goodbye to two white candles were carried to a local basilica for a service that was broadcast nationally on radio and television. "I am here for the poor parents of those martyred children," said one of the mourners, Anne-Marie Lemaire. "The people who did this must be made to suffer. They too should be suffering. They are monsters."

Belgian police believe that convicted child rapist Marc Dutroux, 39, an unemployed father of three, was the leader of the ring that abducted the two girls, Melissa Russo and Isabelle Lejeune, in

June, 1995. He and an accomplice, Michel Lefevre, were arrested on Aug. 16 after police rescued two other girls, one 12 and the other 14, from a concrete cell in the basement of Dutroux's home. Police also charged the second wife, Michelle Martin, and a Brussels businessman, Jean-Michel Nibault, in connection with the crimes. All week, investigators were searching in Belgium and several other European countries for two missing teenagers, Edie Lambrechts and An Marchal, whom Dutroux abducted in August, 1995, and may have sold into prostitution. "We are at the moment establishing contact with police in other countries via the services of Interpol," said Maj. Jean-Marc Boudin, who is involved in the investigation.

Besides the outpouring of national grief, the arrests led to outrage at law enforcement authorities for their handling of Dutroux in the past. He was released from prison in 1992 after serving three years of a 12-year sentence for multiple rape and child abuse, despite allegations from his own mother and the prosecutor in the case. An unemployed electrician, Dutroux is the

oldest of five children. His parents, both teachers, divorced before he was 10. Described by neighbors as quiet and with few friends, Dutroux was living with his 12-year-old sister from a previous marriage when police arrested him. A three-year-old son and nine-month-old daughter were staying with his second wife, who had left him because she feared his rage. "I was scared to death by him," sister Valerie Dutroux told a Belgian television reporter.

"It was known that he was a sick man. To me he is no longer human."

After his arrest, Dutroux led police to the bodies of Russo and Lejeune, which were buried in the garden of a property he owned. Police also uncovered the body of Bernard Wemmenh, who helped about the two girls for Dutroux and was paid \$1,800. Dutroux admitted murdering his former accomplice because he had let the girls die while Dutroux was in prison for four months on a theft charge.

With Dutroux and his associates in custody, some of the questions surrounding the disappearances of four young girls cleared up. But for the families of Edie Lambrechts and An Marchal, the two missing girls, the ordeal continued. Word of all was the chilling theory that they and other young girls had been abducted and sold to criminals running prostitution rings. For a nation rarely touched by such gruesome crimes, the daily revelations of evil were almost too much to bear.

PHOTOGRAPH BY [Name] with correspondent's reports



Dutroux head of the mother's allegations

A fight to save the children

Activists battle the sexual exploitation of kids

Maria speaks almost longingly of her youth, spent largely in the squalor of Smokey Mountain, formerly a notorious slum in Manila whose residents made do by selling trinkets they scavenged from the area's huge garbage dumps. "We were happy," recalls Maria (not her real name), "even if we were poor, because my father was so loving." But then tragedy struck: Maria's mother ran off with another man, and her father died suddenly. Maria went to live on the streets. And one night in Luneta park—a well-known hangout ground for commercial sex—she met a group of men who said they would save her. "They promised me an education," she says. "I wanted to take a course in computer science." Instead, the men—most good Samaritans at first, but grimy—dragged Maria west to live in a hotel in Manila's red-light district. Hours later, she awoke with a searing pain between her legs. "My clothes were all so except for my panties," she says. "All they gave me as payment for that sexual encounter was a new dress."

Overnight, Maria had become one of an estimated 80,000 child prostitutes in the Philippines. She was 14.

Now, at 19, Maria is in a Manila jail, awaiting trial for fornication. When she gets out, she swears that she will not return to prostitution. But there are plenty of other stories, just like Maria's, all the making. Around the world, millions of child prostitutes, most living in appalling conditions, are subject to horrible abuse and the near-certain prospect of debilitating or life-threatening disease. The numbers involved are staggering. According to the United Nations Children's Fund, one million children under age 18 work as prostitutes in Asia. In Thailand alone, other welfare agencies have estimated, as many as 600,000 children work in the sex trade. In the United States, UNICEF says, 300,000 children are involved in prostitution. And the agency estimates that another one million children worldwide enter the sex trade every year.

The prostitution of children has plagued human society for centuries, but recent events have thrown the issue into a stark new li-

ght. Chief among them the grisly discovery in Belgium of the bodies of Melissa Russo and Julie Lejeune, two 8-year-old victims of a suspected kidnapping and sex ring, twisted by child rapist Marc Dutroux. That case, which has shocked Belgium, was sure to fuel debates this week in Stockholm at an unprecedented international gathering of justice and child-welfare officials and activists aimed at fighting the growing problem of child prostitution. "People are beginning to realize that children's issues are a policy priority," says Canadian senator and child-welfare advocate Lindaann Pearson, one of about 20 Canadians attending the Aug. 27 to 30 World Congress Against the Commercial Sexual Exploitation of Children. "The abuse of children has such terrible long-term impacts that it has to be addressed."

In fact, governments in many of the worst areas for child prostitution have already begun to address the problem by cracking down on so-called sex tourists. Last March, a Thai court sentenced German citizen Bernd Ralf Heinz Niemann, 38, to 45 years

in jail for sexually abusing children. In the Philippines in May, Victor Keith Fitzgerald, a 65-year-old Australian businessman, was sentenced to 17 years in prison for having sex with a 13-year-old girl. Meanwhile, too, have fallen prey to a general sexual crackdown on child abuse. Last September, Philippine police arrested Canadian businessman Jean Guéroux for having sex with three girls—he is currently free on bail pending his trial. And in San Luis, retired Canadian schoolteacher Benjamin Dennis received a one-year suspended sentence last year for sexually assaulting two girls aged 12 and 14.

Much of the pressure to get tough on sex tourists has come from ECPAT—short for End Child Prostitution in Asian Tourists—an organization formed in 1991 by child-welfare groups in the Philippines, Taiwan, Thailand and San Luis. With chapters around the world, ECPAT advocates enforcement of prostitution and child-abuse laws, and attempts to raise public awareness about the costs of child prostitution. As well as its campaigns, the group is also pushing for the passage of international legislation against sex tourism. One such law—B-E-C-T—is now before the Canadian Parliament, and it passed will make Canada the 120th country to criminalize child sexual abuse committed by citizens overseas.

But despite the work of agencies like ECPAT—the initiator of the Stockholm conference—child prostitution remains a complex of child prostitution. It is a global problem that is particularly rampant in Asia, in many developing countries, it is critically linked



WORLD

with poverty. Depressingly often, poor families will sell their own children—usually girls—into prostitution to make money, an act sometimes supported by culturally sanctioned custom. And for many child prostitutes, the money makes it difficult to stop.

Yet if poverty explains the supply of prostitutes, it does little to explain the demand for them. According to ECPAT, most clients are local inhabitants. Among lawmakers, outright pedophiles account for only a small percentage. Most sex tourists are simply men on vacation, freed from the social structures of their home country. Many of them do not know—or don't care—how old a prostitute is. And if anything, the AIDS pandemic has helped spur the growth of child prostitution. "These pedophiles and other sex tourists believe they won't catch AIDS from very young children," says J. Dolores Alfaro, head of the Manila chapter of ECPAT. It is an erroneous belief, since child prostitutes, whose immune systems may not be fully developed and who are likely to sustain injury during sex, are more susceptible to infection than adults. Some Asian clients, moreover, prefer children because of a belief that sex with virgins protects longevity.

Another problem when one government cracks down on prostitution, sex tourists simply move to a different area. The industry, ECPAT officials say, is burgeoning in Africa and the former Soviet bloc countries in Eastern Europe. Cambodia, too, is fast becoming a popular destination for child sex. (The World Sex Guide, a handbook of international prostitution freely available on the World Wide Web, notes that in Phnom Penh, "a sixteen-year-old is available for \$10 U.S.") A similar trend has occurred within the Philippines. Since Manila's municipal government launched an anti-prostitution campaign four years ago, the sex industry has spread to other towns. Angeles City, the former site of a U.S. air base about a 90-minute drive north of Manila, is once again a thriving prostitute center, where bars offer "cherry girls"—high-priced virgins with whom clients are lured from having intercourse. Another Angeles City bar caters to primarily Japanese clientele with a buffet for schoolgirls. It is called Classroom.

As the plague of child prostitution persists, it exacts a toll measured in lost innocence and wasted lives. One girl told me that in one day, "thirty girls"—high-priced virgins with whom clients are lured from having intercourse. Another Angeles City bar caters to primarily Japanese clientele with a buffet for schoolgirls. It is called Classroom.

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JOE CHIDLEY with **RYLALADNA PARAS** in Manila and **SHOWN CHU** in Thailand

HITTING SEX TOURISTS

In the fall of 1994, Australian Anthony Carr went to Manila, Philippines, for a friend's wedding. During his stay, he paid a man \$45 for his five-year-old niece to perform in a pornography video, which Carr taped. It was that tape, found in the 44-year-old's Sydney home, that an Australian court used in April to sentence him to two years in prison for aggravated assault. Carr be-

lieves that the investigation would generally occur in the country where the crime took place, using either visiting Canadian officials or local witnesses under Canadian direction. In practice, though, most sex-tourist prosecutions occur in the destination nations under their local laws, explains Thibierge's colleague, Carole Monroey. But if foreign officials do not prosecute and there is evidence that a returning Canadian has committed a crime, then the person's home-town authorities would become involved, Monroey says. "The local municipal police force would investigate, would look into pressing charges, would work with the local Crown to deal with these issues and proceed accordingly."

Still, critics are not convinced that the law could be enforced. "Logistically, it's very difficult for them to do a proper investigation," says lawyer Mark Erik Hecht, a coordinator for Ottawa-based Human Rights Interest. "What has happened in some European countries is that the legislation gets on the books, but no one ever uses it." He also points out that Canada has constitutional laws for crimes against humanity—allowing prosecutions for war crimes, for example—which have never been implemented successfully. "It sets a dangerous precedent to be creating laws in Canada that aren't going to be used," he says.

But law enforcement officials believe that the same procedures used in gathering evidence for international drug smuggling cases would apply to the sex trade. "It's not unusual for us to go to a foreign country concerning a crime committed there," says London, Ont., police Chief John Farnice, who plans to attend a world congress on child sexual exploitation this week in Sweden. "It doesn't matter if the sex national does it here, or a Canadian does it over there. They're all going to get hammered."

Carol Thibierge, a justice department policy-maker who worked on the Ottawa bill, says that it is theory an offense would be completely prosecuted in a Canadian court. The investigation would generally occur in the country where the crime took place, using either visiting Canadian officials or local witnesses under Canadian direction. In practice, though, most sex-tourist prosecutions occur in the destination nations under their local laws, explains Thibierge's colleague, Carole Monroey. But if foreign officials do not prosecute and there is evidence that a returning Canadian has committed a crime, then the person's home-town authorities would become involved, Monroey says. "The local municipal police force would investigate, would look into pressing charges, would work with the local Crown to deal with these issues and proceed accordingly."

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PHOTOGRAPH BY SHOWN CHU

Checking for underage prostitutes in Bangkok, a place that with poverty

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Shaded home in dreary last week—
between-making is paralysis?

cently chief after placing third in the presidential race, have loudly criticized the war, and hundreds of Russians have staged protests reminiscent of Vietnamese-era demonstrations in the United States.

A ceasefire negotiated by Yeltsin during his election campaign was broken in early July by a massive Russian offensive against rebel-held villages and mountain bases. On Aug. 6, the rebels started the war—and the Kremlin—by authorizing the Russian army and capturing Grozny. Shortly after, Yeltsin gave Labed a vague but apparently sweeping mandate to forge a new peace settlement. But an initial ceasefire announced by Labed failed, and the ambitious politician named his Kremlin rival, Interior Minister Anatoly Koltov, Labed challenged Yeltsin to choose between him or Koltov, saying that "nothing is going to work" otherwise. But Yeltsin reaffirmed Koltov's authority.

Early last week, Labed charged that Koltov's aides had forged Yeltsin's signature on the presidential decree cited by Gen. Pulikovskiy calling for the immediate removal of the rebels from Grozny. After returning to Moscow, Yeltsin decided to convene, and actually criticized Labed's efforts as Chechya, saying he had not produced any "visible results." As the latest ceasefire took effect, however, Yeltsin indicated approval. Adding to the confusion, removal of the rebels from Grozny, also known as Pulikovskiy's ultimatum and lambasted him for acting independently. The general was filling in for his superior, the equally intelligent Vyacheslav Tishchenko, who returned from vacation at the end of last week.

At week's end, Labed's ceasefire was holding; but despite his peace efforts, the threat of massive military action remains. Whether a ceasefire is largely depends on two seemingly unrelated power struggles: one within the Kremlin, the other between civilian leaders and a military brass bent on rehabilitating its war record. The issue may ultimately turn on the question of Yeltsin's health.

Slavina's nature suffered two heart attacks last year and, according to his former press secretary, Pavel Vashurov, requires coronary bypass surgery. Citing three confidential sources, Vashurov wrote in the *Communist Party newspaper Pravda* that Yeltsin also suffers from diabetes in one eye, circumscribes of the knee, a kidney ailment and a rapidly progressing arthralgia picture that causes osteoarthritis. It is a likely prescription for more chaos when it comes to the volatile politics surrounding war and peace in Russia.

PATRICIA KERRILL with PRIMO PIERINI in Moscow

World NOTES

AFRICAN MIGRANTS SEIZED

Seize-wielding riot police stormed a Paris church and arrested 226 African migrants, including 16 who had mounted a 36-day hunger strike to protest orders expelling them from the country. Many of the Africans, mainly from Mali, Senegal and Zaire, said they had once had residence papers but lost their rights in 1993 under a hasty immigration law. The priest quoted a broad debate in France about immigration.

TEST-BAN TREATY HOPES

Australia said it would try to keep alive hopes of UN approval of a global nuclear test-ban treaty likely to be effectively vetoed by the United States, according to 41 nations over three years, because it did not act a timetable for nuclear disarmament by the major powers. The test would be unanimous approval, which India withheld, but Australia said it would try to gain support in the UN General Assembly.

APOLOGY FOR APARTHEID

Former South African president F. W. de Klerk apologized to Archbishop Desmond Tutu's Truth Commission for the "many unacceptable things that occurred" during the apartheid era when his father's party governed. De Klerk, who ended decades of whites-only rule and set the stage for freed black leader Nelson Mandela to become president, said apartheid "caused irreparable pain and suffering to many."

JORDAN BLAMES IRAQ

Jordan expelled an Iraqi diplomat after accusing Baghdad of fomenting the country's worst unrest in seven years. Riots erupted in southern Jordan after the government raised fuel prices by 50 percent in early August. UN analysts said the two days of disturbances reflected the country's troubled economy.

A SECRET TAIWANESE VISIT

Taiwan Vice-President Lien Chen made a secret visit to Ukraine, angering Beijing. Ukraine currently recognizes only mainland China. Ukrainian President Leonid Kuchma denied Taiwanese news reports that he had met Lien, who arrived in Kiev two days after visiting while on a European goodwill mission. Yulia Tymoshenko has vowed to vigorously oppose diplomatic overtures, despite Beijing's efforts to isolate Lien's visit.



Police and protesters against budget cuts clash in Australia's Parliament in Canberra, where

BUDGET BATTLE:

Protesters stormed the Australian Parliament in Canberra after the government announced major spending cuts. Hundreds of students, unemployed and aboriginal protesters used slingshots and a battering ram to break into the foyer of the building. Some 40 police and demonstrators were injured in the two-day melee. A day later, aboriginal protesters burned an Australian flag as the government formally brought down the budget. Universities, aboriginal aid and programs to help job-seekers faced the biggest cuts.

Rethinking the royals

For two centuries, members of the Royal Family have been supported in part by British taxpayers. For three centuries, the British monarch has been inducted in many a Catholic. And for the whole 1,500-year history of English royalty, it has been the eldest son who gives first crack at ascending the throne. Soon all that could change. Last week, Buckingham Palace confirmed that Queen Elizabeth II has been considering a series of sweeping revisions to the monarchy as it approaches the new millennium.

The palace said that a special committee, including the Queen, Prince Philip and Prince Charles, began meeting to discuss possible

reforms after 1992. That was the Queen's self-described "annus horribilis," her horrible year when the marriages of her sons Charles and Andrew broke down and five-went Windsor Castle. Newspapers said the committee was considering abolishing the monarch, who is head of the Church of England, to marry a Catholic, the only forbidden religion. Other proposals include letting the eldest child—girl or boy—of a monarch succeed to the throne, and ending the \$18-million Civil List payment from the government, to be replaced by the Queen's private income. Most of the measures—reportedly championed by Charles—would require new laws.

An explosive discovery in the TWA probe

Investigators probing debris from the crash of TWA Flight 800 off Long Island, N.Y., said they had found microscopic traces of a chemical used in explosives. Assistant FBI director James Kallstrom said, however, that they could not conclude that a bomb was responsible. "The mere fact that there are chemical traces is not just enough," he said. He was responding to a New York Times report saying that the discovery had finally provided scientific evidence that an explosive device was detonated inside the passenger cabin, although it was not clear whether it was a bomb or a surface-to-air missile. Kallstrom said investigators were still keeping open the possibility that mechanical failure caused the crash, which killed all 230 people aboard.

WORLD — RUSSIA

The Kremlin's war

For days, refugees streamed out of Grozny, the blood-soaked capital of Russia's breakaway Chechnya republic. Heaving machine guns, aerial bombardment and erratic gunshots studied with telescopes. Claiming to have an order signed by President Boris Yeltsin, Russian commander Konstantin Pulikovskiy had warned civilians to leave by Aug. 22, when he would launch a full-scale assault to demolish the rebel-occupied city with tanks and forces in its possession. "At the same time, top Kremlin security adviser Alexander Lebed would personally between Moscow and Chechnya trying to stop the threatened assault. Lebed insisted that Yeltsin had given him full authority to settle the Chechen conflict, and that Pulikovskiy's orders were false.

In the end, Lebed appeared to prevail, at least for the moment. He signed a ceasefire with Chechen leaders calling for the phased withdrawal of Russian troops and rebel disarmament, leaving the sticky question of independence for later talks. But even by the miserable standards of Russia's disastrous 20-month-old war in the Muslim republic, the work of ceasefire and enflaming among political and military leaders over Chechnya policy marked a crisis of almost fatal proportions. It clearly stemmed from a vacuum at the top, the worst signpost for military leaders of Russian leadership's accountability to a single line hand managing the coun-

try. Until late last week, the only public appearance by the visibly ailing Yeltsin since winning reelection in July 1991 had been a brief session on Aug. 8, when he established and mumbled his way through his second inauguration. As Russian politics and artillery bombardment rebel-held roads and bridges around Grozny had last week, killing scores of civilians, Yeltsin, 65, was in the Islamic village of Valdivia, 360 km north of Moscow, recovering from "cold and weakness," in the words of a Kremlin aide. Whenever Yeltsin is absent, chaos seems to erupt, as none of these left in charge. Declaring Moscow-based political analyst Andrei Kortunov, "Yeltsin is unable to assert control, so he tries to set up a balance between several strong aides. The result is that decision-making is paralyzed by interoffice strife."

When Yeltsin finally returned to Moscow and managed to appear publicly, he looked only slightly healthier than he did at his inauguration. He appointed his new cabinet members and gave a rare television interview in his Kremlin office. But he seemed unwilling to confront the confusion over Chechnya. Yeltsin's government is opposed to Chechen independence, fearing the loss of a potentially unstable, hostile new state that could sow unrest in Russia's 20 other autonomous republics. But even prominent military figures like Lebed, a former general who was appointed Russian co-

Chechen strife sparks a power struggle in Moscow

THE NEW SPY WARS

Canada is a key target in the global race for economic secrets



The Japanese, Chinese ambassadors (left) and Embassy building, Toronto, from children's graves

BY NOMI MUKES

We have slain a large dragon, but we now live in a jungle filled with a bewildering variety of poisonous snakes.

—Then CIA director R. James Woolsey in a 2003 agency mission statement for the post-Cold War era

On the roof of the Chinese Embassy in Ottawa, just down the road from the Prime Minister's residence on Sussex Drive, there are two grey lads of the type intelligence services covet for use to conceal sophisticated eavesdropping equipment. The embassy is located on high ground so the lads cannot be seen from the main road. What can be seen spiking upwards all along the roof's perimeter is a series of lightning rods, metal posts that can conduct electricity during a storm to prevent sensitive electronic gadgets from short-circuiting. Not far away, on the top of the Japanese Embassy, a type of antenna designed for intercepting communications reaches blazingly skyward. Even the embassy of the United States, directly across from Parliament Hill's Centre Block, has a concrete hut on its roof similar to those U.S. intelligence agents are known to use to disguise eavesdropping surveillance operations. The roof has an unobstructed view straight into the cabinet's meeting rooms.

While the Cold War may be over, the spy game certainly is not. And Canada, as demonstrated by two major spying incidents within the past year, is a key player—both as a target of foreign espionage and, more controversially, as a clandestine collector of international intelligence. Many Canadians were surprised when re-employee Jane Shortt revealed last fall that Ottawa's top-secret foreign surveillance agency, the Communications Security Establishment (CSE), had spied on Canada's supposed friends Japan, South Korea and Mexico (page 32). Then in May, the Canadian Security Intelligence Service (CSIS), responsible for domestic counterespionage, exposed a Russian couple who had stolen the names Jim Lambert and Laurie Brode from the graves of dead Canadian children in order to build identities—known in spy circles as "leads"—that would allow them to carry out intelligence activities in Canada or in other countries. Although officials made few comments about other developments, both incidents pointed to the new growth area in espionage: economic secrets.

"Once the Cold War came to a somewhat abrupt halt, people safely thought you could get a peace dividend, declare a victory, hold a parade and go into retirement," says Roy Whittaker, a political science professor at Toronto's York University who is writing a book about CSIS. "But none of the conditions that led to spying have changed. It is a world of states with their own interests and their own secrets to protect. Economic interests are coming to the fore."

So much for all the predictions that spy operations could rise along with Red Army generals after the Soviet Union collapsed in 1991. In the industrialized world, terrorism has replaced communism as the greatest perceived threat to national security. And with the globalization of trade, economic strength rather than military might have become the new buzzword of national interest. Security and intelligence services are pledging to better cooperate on issues of terror, organized crime and drug smuggling. But regional trading blocs have eroded the old maps of who is allied with whom, while new economic competitors from Eastern Europe and Asia are hungry for industrial secrets as they strive to catch up with the West. Perhaps most unsettling, there has been a deterioration of the traditionally friendly intelligence relationship between longtime allies such as Canada and the United States.

Today, American insiders say that Washington covertly targets Canada over a range of issues, including the North American Free Trade Agreement, business with Cuba—and domestic politics. "Quebec has certainly caught our attention and the western provinces are a real question mark," says Roger Robison, a Washington consultant who was a senior director of the U.S. National Security Council during part of the Reagan administration. "Western Canada may become a good deal closer to the United States than the balance of Canada in the early 21st



Roof of the U.S. Embassy in Ottawa: Whittaker has caught our attention

century. These are economically important provinces. Our intelligence services have to watch them and what is happening with them, very carefully."

Another senior U.S. intelligence source, who speaks to *McGraw-Hill* on condition he not be named, confirmed that intelligence ties between the two countries have become much more adversarial in recent years. "There are many intelligence studies being conducted right now on the dismemberment of Canada and the opportunity for the United States to acquire additional assets," says the source, an expert at a major think-tank who acts as an adviser to the White House and the CIA. "It is conceded within the intelligence community that Ontario would never come in but the belief is that there are very good chances for British Columbia, Alberta and possibly Saskatchewan." Canadian, he adds, are aware about the "imperial American mind" and containing U.S. expansionists. "It is very possible that some time in the next century some of the Canadian provinces will become American states. It is the task of the American intelligence agencies to prepare the ground, and that is what is happening."

Robison also sees rifts over global politics as a factor in the decline of the North American intelligence relationship. "Canada does not side with us in efforts to economically isolate rogue states," he says. "We see that with Cuba now, and I suspect we will see it in a much more significant way with China in the future."

Officially, of course, there is nothing unfriendly going on. Andrew Ross, spokesman at the American Embassy in Ottawa, said it is standard policy not to comment on intelligence matters. But he dismissed as "indiscreet" suggestions that there is interception equipment on the roof of the embassy building that is used to acquire information on Canada and other countries. Jacques Simard, Ottawa's spokesman on intelligence, simply pointed to an agreement that Canada and the United States will not target each other. "I'm confident the Americans are respecting this agreement," he said. The Japanese and



Chinese embassies denied spying in Canada.

Yet if the covert behavior between friends in North America has become less courteous, it is even more hostile on the global level. Last year, Japan lodged a formal complaint after CIA agents overstepped on Tokyo officials during the 1995-96 visit to Japan. As Japan's economic summit of the world's seven largest industrial nations in Lyon, France, American security officials advised all members of the US delegation to expect espionage. When Charles Barnaback, the acting US trade representative, and Loren Tysen, chairman of the National Economic Council, took time out for an elegant dinner at the gourmet restaurant Le Passager, they lagged all of their bulky documents along, stuffing them awkwardly under the table and chairs. As one member of the delegation explained, "The French are notorious for espionage and spying on their friends."

But according to Japanese officials, it was the Americans who were occupying up all the electronic communications leaving the G-7 summit. Every classified message that the delegation sent home was almost certainly intercepted by the massive arrays of antennas of the US National Security Agency (NSA)'s own intercept.

In Moscow, it is known as *pozitsiya stepanush-broderov* espionage. Others call it "sexpionage." Three thousand years after Delilah seduced Samson as an agent of the Philistines, Soviet intelligence remains an alluring tactic in the world of secrets, be they political or technological. And six years after the end of the Cold War, Russians are still renowned as experts in the field. Moscow spy acing, now run by the Federal Security Service, the reemerged successor to the notorious KGB, has recently abandoned a rigorous two-year program that trains female supervisors to run what are known as "sawflies" or "homogays," luring targets for money into "sex continues to be a valuable tool for people with secrets to hold, all over the world," says a Western diplomat in Moscow.

The most notorious "sawfly trap" in recent times was revealed in 1987, two years after Valeria Sina, a Ukrainian woman working as a receptionist at the American ambassador's residence, seduced Clayton Lanchester, a young US marine sergeant who served as a Moscow



Sina is a Moscow spy acing, now run by the Federal Security Service, the reemerged successor to the notorious KGB.

embassy guard. Sina seduced Lanchester to "use Uncle Sam," who intended to expose Lanchester's illegal relationship to other young men hired over American secrets. After a series of clandestine meetings in Moscow and Vienna, Lanchester eventually confessed to supplying the Russian agent with US Embassy floor plans and a list of CIA agents. He served eight years in a military prison before being released last February.

At Moscow's academy for career spies, women handpicked by the secret services study the psychology of sexual entrapment, seduction techniques and how to seduce underlings. As trainers, the gradates work with two categories of "sawflies." First are the women, like Sina, who are fluent in foreign languages and work as secretaries and interpreters in foreign embassies, news bureaus and offices. The second category is made up of prostitutes and women with foreign lovers. Some volunteer to work for the secret service, in this case, others were lured with greed if they did not comply. "They caught me like a rabbit," said Nadezhda Kuratayeva. Now 33, Kuratayeva was in her 20s when the former KGB pressed her into service after learning she was dating a young Japanese diplomat—poached at the time

Of the women are dispatched—without permission or knowledge—once their usefulness ends. While Valeria Sina's male case officer was promoted after the Lanchester affair, she was now too well known to continue her career. By 1994, Sina was living with her mother and stepfather in a nondescript apartment on the outskirts of Moscow. "Sawflies" are not ideal, military-grade spy tools, and retired KGB colonel Nikolai Karachev in a rare interview during a critical 1994 shake-up of Russia's secret service, "Of course women are very important. You can't play the game without them. But in the end they are just the bait."

While Canada has no known Lanchester in its past, the Canadian Embassy in Moscow continues to warn diplomats about sexual entrapment. "This is the type of stuff Russians do and have always done, even if you may not subscribe now," says spokesman Greg Allen. But the risk may have increased now that data from more foreign businessmen in Russia. While the secretaries may not know much about military movements, they do have information that is valuable to industrial companies. "We warn all our clients about sexual espionage. It falls into the category of industrial espionage," says Guy Dorn, senior liaison analyst at the British security consulting firm Central Risk Group.

Entrapment poses such a hazard to foreigners at the new Russia that the American Embassy in June circulated a memo warning its rules of romantic engagement, which had been issued only two months. All staff are now required to file in "contact warning" in case an intimate relationship starts. Canada had a similar intelligence policy but retired it after the 1991 collapse of the Soviet Union. Now, it is up to each officer to inform the embassy if he or she is so taken.

There is no question that state secrets are still a goal of the disciples of Delilah and the legendary Mata Hari, the Dutch mistress of a French cabinet minister who was executed in Paris in 1917 and executed in Germany's top spy list after she had changed. During the Cold War, the most common espionage targets were diplomats and journalists. Now, says Central Risk's Dorn, secrets have both scientific and technological aspects, as well as high-profile commercial enterprises, as the most enticing prey.

N.M. with JENNIFER DOUGLAS in Moscow

'We have lost a sense of who is a good guy, who is a bad guy'

surveillance group. The CSIS, also known as Canada's G-7 summit and other global conferences, says espionage is a threat.

The plots constantly threaten. In August, security experts at the European Union's Luxembourg office said they had found evidence that American agents had penetrated—by way of the Internet—the electronic mail that links 5,000 EU official e-mails and networks. The Americans reportedly used some of that information to help them in last year's negotiations on the General Agreement on Trade and Tariffs.

Yet US and Canadian intelligence officials still claim a higher moral ground. The only recipients of North American trade intelligence are governments, they say, not private firms. In Europe and Asia, state agencies reportedly pass information to domestic companies that could benefit. "The view of where government interests end where private-sector interests begin is quite different around the world," says Peter Purvis, a senior analyst specializing in economic intelligence at CSIS (formerly positioned as-460). The Canadian agency pursues corporate counterintelligence operations only when it suspects the perpetrator is a foreign state. For corporate espionage, says the private sector is left to its own security system and the police. (Page 38) In the United States, the Clinton administration has passed out what policy-makers there consider a defensive rather than offensive permit: uncovering corruption and "dirty practices"—bribery, sabotage and other methods used by foreign corporations to use international commerce.

The United States is the only country that has made it illegal for its citizens to pay bribes to climb foreign deals, and it has become increasingly angry about what it views as an unequal playing field. Taiwanese energy officials, for example, who handle Perenco's oil-welding contracts, are subpoenaed by the CIA uncovered information that led to the current RCMP investigation of Brian Mulroney and others for allegedly accepting bribes from the European Airbus Industrie consortium, which sold 34 airplanes to Air Canada in 1988. US justice attorney and McDonald Douglas law firm. "Our current prosecution involving Airbus, I think, is a direct result of the Clinton administration's decision to use its apparatus to track illegal trade practices abroad," says Lee.

The debate between public and private interests is even tougher

in other parts of the world. China and Russia now rank among the most aggressive purveyors of economic espionage. When U.S. trade envoy Robert Zoellick flew to Beijing in June to spearhead Chinese companies for pirating American entertainment and copyright software, the U.S. Embassy sent a security team to "sweep" her hotel suite for electronic eavesdropping devices. They found no such obvious bugs—but just in the telephone. But if, in the shower and the crumple-sheet bed, the agents just had to laugh. There was even a hidden camera. In order to save face, no complaint was made. But the Washington Post told inside that upon popping out of bed each morning, she "got dressed fast."

In Russia, the turmoil of recent years has led to a growing concern about national identity among many in the leadership who believe Western countries prefer to keep the former superpower weak. Moscow has again slipped up its intelligence gathering after a Soviet spy, during which the former KGB led to chaotic infighting and was transformed into the current Federal Security Service. Yuri Kabanov, a major general in the agency who was himself once expelled from Britain for spying, says Russia has dumped about 30 cover stations worldwide. Yet Alexander Lebed, President Boris Yeltsin's powerful new security chief, has publicly urged more spy on Russia on basis and foreign companies and wants to see Russian firms abroad used for corporate espionage. Last February, Yeltsin explicitly ordered officials to make better use of its dual intelligence to close the technology gap with the West.

"There is definitely a shift in American-Russian post-Cold War relations," ex-CIA director James Woolsey told Mechner's during a recent visit to Moscow. After Sergei Markov, a Moscow analyst for the Russian Federation's Foreign Intelligence Service, was driven from office, Russia is back to a more natural relationship with the West. Relations may be as bad as they were under communism, but there is no debt of compromise.

The Russian policy was an display during the pre-election month of May, which saw one of the biggest East-West spy scandals since the Cold War. The Russian security service publicly accused some US spies of spying on Russia after a Russian official was arrested selling military intelligence. Moscow eventually expelled four of the envoys. London retaliated by expelling four Russian diplomats



In the same month in Moscow, an Estonian diplomat was also sent home and an American businessman who admitted buying information was locked out.

Then in June, Ottawa sent the mysterious "Lanchester" bill to Russia. If security officials there feel the pair is too compromised to continue spying in other countries, they will likely reach at the secretary of the Federal Security Service or move into a commercial unit with secret service links, says Moscow analysts. "I have no reason to believe that they're in any danger of any kind," CRS head Ward Black told an Ottawa parliamentary hearing on

Parkinson's top-notch team, concerned that the CIA uncovered information that led to the AIDS investigation.

national security. Although Black gave few details, he confirmed that the couple—whose real names are Dmitry Vladimirovich Oshchakov and Valeria Ivanovna Oshchakova—were under surveillance for a long time. And when asked who paid their legal costs, he answered, "Not us. Our Chairman."

In former times, CSIS would have alerted to "Yuri" the Russians, getting them to spy on Moscow for Ottawa. But in recent years, CSIS has been more cautious. It was once warned to send Moscow a message to "close up their act," says MP Lee. He is among those who believe CSIS may also have wanted to expose the pair to "show Canadians what is going on" in the world of espionage at a time when pressure is on to dismantle the counterintelligence group. George Arliss, head of Moscow's US-CAN Canada Institute agency, "Every organization wants to penetrate their work and integrity to grow—even if they lose their raison d'être."

In fact, by 1998, CSIS will have cut its budget to \$325 million from its 1993 peak of \$894 million, and reduced personnel by more than 700 people—to 2,021—since 1992. But the agency did move into a new \$155-million state-of-the-art building in 1996. Although CSIS remains the top priority, Prime Minister Jean Charest has given both CSIS and the CSE an increased mandate to deal with trade intelligence. According to CSIS, there are 24 countries conducting state-sponsored corporate espionage in Canada. Who they are is classified, but widespread reports have identified Russia, China and Japan as the biggest offenders, as well as Germany, France, Germany, Brazil, Israel and even Cuba. "Despite our tendency to downgrade where we fit in the world, we are a member of the G-7, we are first-class firms in this country, we have technologies that aren't available elsewhere," says CSIS analyst Parsons.

In the United States, where the theft of technology and other proprietary information is estimated to cost American businesses more than \$10 billion a year, the House Intelligence Committee Members of the Senate introduced three different bills this year that would make it easier for law-enforcement agencies to fight for

INSIDE CANADA'S MOST SECRET AGENCY

A state worthy of the name has no friends—only interests

—French President Charles de Gaulle, 1965 paraphrasing Britain's Lord Palmerston, 1848

The agency's name is absent from the address board in the lobby. But on the fifth floor of an unassuming office tower at Ottawa's Belinda Bridge Plaza—right beside a local Zellers—live several subunits of the Communications Security Establishment, Canada's mind-reading and least-acceptable spy agency. "Communications Security Establishment" asks an Ottawa directory assistance operator. "We don't have a telephone listing under that name." The fact that the CSE sends do not carry a return fax number (acknowledged address is the anonymous sounding PO, Box 5705).

In fact, the CSE's main headquarters is in the St. Leonard's Tidy Building at 719 Haven Rd. Located west of the agency's 870 civilian employees. Many sit at desks under the eaves, using a computer screen as a desk that are grouped according to the regions of the world whose airwaves they monitor electronically. Here, mathematicians and biologists, political scientists and engineers collect and analyze foreign signals intelligence—known as SIGINT—for the CSE's "clients," the Prime Minister, the department of foreign affairs and international trade and other government departments. Set up in 1961 to decode enemy telegraphy and radar, the service's technology has now evolved to cover cellular telephones, faxes and even information from computer screens or electronic typewriters. "There isn't a thing that I'm doing that they can't get," says Mike Frost, a former undercover agent with the service.

While most Canadians are aware of the domestic security activities of the 135-year-old Canadian Security Intelligence Service, few had heard of the foreign-focused CSE before 1994, when Frost published his Cold War memoir of 15 years at the agency. Then, last November, former CSE linguist Jane Shorten revealed on national television that Canada had, since 1980, also spied on friendly nations Japan and South Korea for economic reasons, as well as on freetrade partner Mexico during negotiations leading up to the 1982 North American Free Trade Agreement. "My colleagues who were Spanish linguists were working really hard at that, doing extra hours," remembers Shorten. Indeed, the CSE has, as one guide or another, conducted electronic eavesdropping on a global basis since the Second World War, with virtually no parliamentary oversight. The first time the government publicly acknowledged the agency's mission was in 1992.

Shorten and Frost are the only former employees who have risked breaking their pledge under the Official Secrets Act to speak publicly about the surveillance agency. Lawyers correctly pointed out that the CSE would rather die than let a few days of bad publicity than face more information coming out during a trial. Although the two support Ottawa's involvement in the Belinda Bridge gathering, both come to believe that the CSE's activities cross the line of what is acceptable. "It was going into the privacy of Canadians' communications," Shorten says. "I was getting physically sick over it. It was so stressful." Frost says he was coming out of an alcoholism recovery program when the agency invited him six years ago—his office already closed out and locks changed before he even heard his fate. All prospective CSE employees

Sharon Yand, this is outrageous, I wouldn't be listening to this



undergo an exhaustive security check before joining the agency. Once hired, they are not allowed to talk about their work, to travel abroad without filing an itinerary or to meet with a romantic partner without informing it to supervisors. Frost says his family life suffered from his clandestine work setting up signal-collection stations at Canadian embassies around the world—among them Moscow, Budapest, Caracas and New Delhi.

In his book *Spiespeak: How CSE Spies as Canadians and the World*, co-written with Michael Grotzke, a former spokesman for former prime minister Brian Mulroney, Frost also describes more dubious operations: eavesdropping on Margaret Trudeau in 1975 to find out if she smoked marijuana, recruiting two of her former prime minister Margaret Thatcher's disaffected cabinet ministers in London on behalf of Britain's secret service, and collecting information about Quebec separatism—chiefly by tapping into the Parti Quebecois government's communications with France and other countries. In a section known as "The French Problem," CSE has routinely denied the Quebec claims, a rare departure; otherwise, it has issued a terse "no comment" to inquiries by Frost and others. All inquiries are virtually impossible to confirm independently, since every operation the agency carries out is known only to those who work on it, says Shorten. "The person down the hall, you don't know what they're doing. It's all on a need-to-know basis." Cold policy and national security, the CSE declined a *Maclean's* request for an interview and said it had chosen not to respond to any of the 20 questions the magazine submitted by fax.

For Shorten, the moment of truth came in 1991, when she learned of the interest from the Russian section to NZC, or "true of the world." Her job was to translate South Korean "intelligence" as part of a project code-named *Aquarium*. At first, Shorten seemed diplomatic communications—Korean reactions to meetings with Canadian and other officials about the CANDU nuclear reactor, for example. Then, her tasks changed to include monitoring all telephone and fax traffic in and out of the South Korean Embassy in Ottawa, which included conversations of locally hired Canadian staff. "That's where I drew the line," says Shorten. "I said 'Look, this is Canadian content now, because anyone could tap the South Korean Embassy and I would have it on tape.'" Shorten says she clashed with her supervisor when she expressed discomfort with the work and asked for guidelines on what to report.

Now, Shorten says she chief Justice Claude Boudreault has just set up the office in Ottawa with three newly hired staffers to help him in his part-time position as CSE communications liaison, who has a budget of \$600,000. It is to report normally to Collette, who will in turn report to Parliament. A version of three judicial inquiries, the court is supposed to make sure the CSE is not applied I talked to the senior linguist and said, "I can't believe this, it's outrageous, I shouldn't be involved in this." Ultimately, after a prolonged leave of absence, Shorten was officially dismissed in 1994.

Frost, who grew up the country speaking to his brother through a Canadian intelligence network, insists it was a sense of ethics that moved him to disclose the questionable CSE papers that he knew of. "All the taxpayers are paying three quarters of a million dollars a day to let Canada have a right to know," he says. The CSE's official budget, hidden within the defence department's financial figures, is \$118.8 million this year. But the military provides an additional 1,100 people and much equipment, bringing CSE's manpower count to within about 100 of CSE's 2,000 in its total operations—estimated at nearly \$250 million—in 1994. The current CSE's 2,000 employees in 1994. The CSE's formidable resources include a Ceylon supercomputer, which at the time of purchase in 1985 was the most powerful data-cruncher in the country. After upgrades and maintenance, CSE had, by 1994, spent more than \$10 million on that machine. Despite the end of the Cold War and a government-led tightening, a \$35-million, windowless extension to the main CSE building was completed in 1993, creating what is known as a "Tempest-proof" structure, impervious to outside surveillance equipment. Constructed by an underground tunnel to a steel-reinforced building where experts on codes and cryptanalysis work on securing all Canadian government communications against interception. That division, known as INPOSEC, accounts for about 20 per cent of the CSE's total operations, officials have said in the past.

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DOSSIER: THE SPYMASTERS



MARGARET BLOODWORTH, 47, deputy clerk to the Privy Council Office (Security and Intelligence, and Canada)

JOB: The two civil servants at charge of operations, reporting to the Prime Minister. BLOODWORTH: Trained as a teacher at the University of Manitoba and a lawyer at the University of Ottawa, Bloodworth worked at Canada Post, Canadian Transport Commission, among others. Became minister secretary to the Prime Minister in 1985. Appointed to current post in 1992. May leave to become associate deputy minister of Transport in October.



WARD EUCOC, 49, director, Canadian Security Intelligence Service (CSIS)

JOB: Head of Canada's domestic intelligence operations—counterterrorism and counterespionage.

BACKGROUND: Victoria-born, spent some teenage years in Kingston. Law degree from Queen's University. Worked at department of justice in 1975, moved through government to minister of justice in 1985, then to the cabinet, 1985-1987. As minister, Bloodworth was deputy clerk of the Privy Council Office, then moved to INPOSEC, director, known later as CSIS.



A. STEWART WECKSTEIN, 57, Chief, Communications Security Establishment (CSE)

JOB: Head of Canada's external spying network, also known as the CSE.

BACKGROUND: Born in Ontario. Worked in cabinet appointment in 1961, immediately after studying in Britain. He spent time in the United States, worked for the CIA. Spent four years in Washington to learn to be a diplomat. Security agency. The CSE's mission is to provide information. Reached the top of the CSE in 1989. Known as a "fence" who spies on spies. He is currently director of the CSE. He has been given an award.

deputy minister for CSE, before he submits them, but he insists he does have some choice. "Everything is supposed to be open to me," Bissan says, adding that he will alert the attorney general if there is something that concerns him.

Rid Robinson, a researcher in the disarmament group Project Proliferation in Waterloo, Ont., complains that the commission's status is not enshrined in law, that the job is carried out by an individual rather than an arm's-length body, and that his mandate is merely to check legality. "You can do a significant amount of invading privacy that is legal but isn't appropriate," says Robinson. "There could be much better safeguards in place against spying as Canadians."

Government agencies must get a court warrant to tap into telephone calls, faxes or other "private" communications inside Canada. But under the existing laws, the CSE needs no court order to monitor text or radio messages that begin or end outside Canada. The legality of cross-border telephone eavesdropping is less clear. Another trouble is that, even inside Canada's borders, cellular telephones can legally be intercepted—although content of all eavesdropped material is destroyed. The privacy of electronic mail has yet to be legally tested.

Further, even if the CSE operates entirely within the law on Canadian soil, its close relationship to spy organizations in the United States, Britain, Australia and New Zealand can still allow it to circumvent the rules. For one, says CSE, has carried out missions for both London and Washington that they deemed too delicate domestically to be handled by their own intelligence agencies. "Why not the reverse, exceedingly in the case of Quebec?" he asks. He also says the CSE purchased Scandinavian interceptors of French communications to gain information about Quebec separatists.

Commissioner Bissan, who had barely heard of the CSE before being asked to accept his three-year appointment, says that is the type of issue he intends to examine. "They crossed us indirectly what they are forbidden to do directly," he asserts. In a rare 1996 appearance before the standing committee on national defence, Bissan noted the commission's standard response to such questions: "CSE does not act on any part of its collection target Canadians, or the communications of Canadians," he said. "A large number of the communications we have with our close allies is that we do not really target each other and we do not ask each other to target our own citizens either."

Still, the practice of eavesdropping material goes back decades. Until 1982, the CSE functioned as a virtual branch office of Washington's National Security Agency, which has 38,000 people on its payroll. One large satellite dish station outside the CSE's Ottawa headquarters is said to be capable of intercepting all of the NSA's transmissions in Fort Meade, Md. Numerous CSE employees have done training there. For years, Canada got a lot more than it gave to the partnership, until increasing pressure from the NSA, along with financial and technical inducements, persuaded the CSE to take a more active role. By the late 1980s, Canada had become a data player. During the last few years of the Soviet regime, says Prime Minister Mulroney, the CSE was asked to intercept signals on behalf of the United States and Britain, while listening operations in the capital had been joined by Soviet intelligence experts.

Orwell's move to the big leagues may have come in the nick of time. Since the collapse of the Soviet Bloc six years ago, a higher priority has been placed on economic intelligence—a sphere where Canada has political allies. Formerly known as the Foreign Intelligence Service, the CSE had recruited a lot for university students in psychology and humanities. Now they are looking for graduates in



From: How easy
a thing that's
sneaking that
they can't get

economics, commerce and business. Up to 30 years ago, that wouldn't have figured into it," says Greg Whitlock, a political science professor at Toronto's York University. Whitlock points out that Shorten's reports of economic spying surfaced at a time when the government is pulling top priority on trade. Prime Minister Jean Chrétien will make his third "Eurasia Canada" deal-making mission to Asia early next year, this time to the Philippines, Thailand and South Korea.

But in the absence of an obvious enemy like nuclear-armed Soviet communism, the ethics of modern-day spying are far less clear-cut, as Shorten found. "Today, she remains unengaged and uncomfortable going back to school," he says. "I've heard her say 'I'll be back to school' to her CSE years behind her." All I wanted to do was show Canadians what the CSE was all about, and that it is dangerous," she says of her decision to speak out. "Somebody should be looking over their shoulders."

In its name, the agency has become slightly more open in recent years. Its budget has been cut by about 30 per cent since the busy Cold War days, chief Webster testified in a parliamentary committee last year. In an effort to raise funds, the INFOSIDE site has begun consulting to the private sector on how to secure corporate communications. Yet there is no sign—and no reason to expect—that CSE will curb its increasingly complex operations at a time when many experts believe the world has lost its fear because less secure. "Telephone, organized criminals and money launderers have discovered that Canada is a choice base from which to run international operations. And, as Webster confirmed in his testimony, trade has become a prime component of the new national interest."

"Knowledge is power," says MP Lee. "When we as Canadians sit down with another country to negotiate an agreement, our negotiators must be possessed of as much knowledge as they can get their hands on. There isn't a country in the world that wouldn't do this." But whether that information should be obtained maliciously from open sources or gleaned clandestinely is a matter of debate. To Lee, "Canadians have a sense of privacy. They don't want to be bad guys." He believes they want their spies to obtain "as much information as they could cover without breaking major rules or embarrassing anyone." Perhaps too, many are just as sure that the CSE, with its troubling tactics, is in secret as it is in

THE GROWING RISK FOR BUSINESS

Two years ago, the Toronto branch of a top U.S. financial corporation was losing until it threatened to a competitor. The firm contacted Walter Makolzin, a technician into E.U. cases at Intertec Security Ltd., who did a "sniff" for electronic eavesdropping devices that found none. Then Makolzin's group planted a hidden camera in some of the office that had raised suspicion. Managers were able to identify an employee who went through a E.U. cabinet he was not authorized to use, at times that were highly unusual for him to be at the office. "That person was quietly let go," Makolzin recalls. "The company did not want the police involved. They did not want to make it public."

Intertec's corporate espionage work has grown by nearly 50 per cent in the past two years—and for good reason. According to the Canadian Security and Intelligence Service, agents from 24 countries are known to be engaged in state-sponsored economic espionage in Canada. That doesn't take account of all the Canadian businesses that are spying on each other. In 1992, CSE surveyed 500 Canadian firms and found that nearly one in four had been the victim of corporate theft or feared they soon would be. As with Makolzin's Toronto client, however, almost none have identified themselves. Even the theft of a security breach can cause a company's stock prices to tumble or a deal to fall through. In the United States, the computer giant IBM is one of very few companies that have gone public about the problem, testifying in a congressional committee that its estimated losses from the theft of proprietary information run into billions of dollars. But few firms are too small or any transaction too obscure for the new breed of thieves. Earlier this year, the FBI caught a former manager of mobile tech company selling secrets of his former employer to a foreign spy.

The Internet's World Wide Web now carries dozens of advertisements and newsletters from new electronic security firms devoted to protecting corporate secrets from unauthorized access. "There's a lot of fear," says James H. Boush, president of the International Society for Information Security. "The Internet's World Wide Web now carries dozens of advertisements and newsletters from new electronic security firms devoted to protecting corporate secrets from unauthorized access."

The new emphasis on obtaining commercial information has pushed Canada near the top of the target list, in part due to its own advanced technology and also thanks to the large number of U.S. multinationals that run major Canadian operations. In response, CSES set up a corporate safety program in early 1992 that has so far targeted more than 1,600 clients. Among the industries involved by CSES is most vulnerable are aerospace, mining and technology,



at risk even on business trips. "I had a case of a big multinational having a conference at a hotel in South America. There was a bug in the wall," said Whitlock. "We figured the local government put it in."

Wit Johnson, president of the Seattle-based Business Espionage Control & Countermeasures Association, says much of the action is in concrete spying to be carried out by spies and their assets. "It's really dog eat dog," he says. "Markets have gone by the board." Johnson also says bugs and other surveillance devices have become more accessible. Some of the best equipment, he says, was made for the former KGB, which he says is still in the private sector to make cash after the fall of the Soviet Union. "You used to have to get this stuff in stores made by a radio or electronic net. But now, you can buy it all over the world by mail order." And Johnson is aware at how many employees in sales and technology talk about the latest developments in their companies on Internet chat groups. "On the Internet, you don't know who you're talking to," he cautions.

Do rights, then, prevail against the threat of espionage? Not necessarily. "The new perspective that is still carried out with traditional espionage techniques. A perpetrator will plant a person as a spy, or bribe an employee, to pass through the trust, do an eavesdrop, or even use a device to break in or carry out other cloak-and-dagger operations. A common route for obtaining information from the outside is the 'pretend phone call,' whereby someone pretends to be a market researcher, trade journalist or graduate student studying a particular area. Sometimes a visiting consultant or researcher will be an agent. "The easiest way to steal information is still to do it down and dirty, to steal the garbage or get someone in there," says Johnson's Makolzin. "Old-fashioned spying still works."

COUNTERESPIONAGE A manager's checklist

Adapted from reports on making corporate security from industrial spies:

- When visiting sensitive electronic mail, use in word or in text. It is a lot more difficult to track with the wire service.
- Consider telephone and fax encryption in well, clearly, for top management.
- Share sensitive information on a stand-alone computer network with large firms.
- Advise employees not to discuss business over a telephone or in Internet chat groups.
- Make security guidelines and distribute them to all staff.
- Make background checks on new employees, consultants, joint venture partners and visiting foreign executives.
- Remember the security basics: good locks, air clearing, windows and fire doors, respect and the perimeter.



Bombardier's big gamble

The Global Express is a prime mortgage; Beaudoin (right): steady sales



A new business jet is designed to conquer the sky

across the plane's highly swept wing, share the plane's 8800-million development cost. By then, both Bombardier and Gulfstream had targeted 6,500 nautical miles for their new planes. But the Bombardier people said then and say today that they were prepared to sacrifice early market entry in order to create an airplane from "a clean sheet of paper," as Loren says, as opposed to the "derivative" course taken by Gulfstream.

Each company claimed aerodynamic superiority from the start. Last fall, when Gulfstream rolled its first GV into its flight testing program, the splitting switch between the two companies extended to an advertising campaign that had Bombardier, first, claiming that its product would trump the competition. Gulfstream followed with its own two-page ad depicting Bombardier (or, having so far produced a plane on paper only "What they've ended up with is essence is a warmed-over GIV that has extended range," says a marketing executive, who adds that Gulfstream is bragging what he claims—and this seems a stretch—see the industry's *Murphy's Law of Queensberry* rules.

Beaudoin says that this week customers will be able to see for themselves that "we definitely have a better product, better color, better performance, at the same price." The plane has its boosters in the analyst community. Joe Reldier, who follows transportation stocks for Richardson Greer & Co. in Montreal, says he believes the Global Express will be "the plane of choice, the one everyone aspires to." Even those who have a "hold" recommendation on the stock are cautious not to dismiss the Global Express. "The business is not growing as quickly as had been expected—the personal waterfront industry, including

going to take half of the market, he is speaking directly to Gulfstream. Through the 1980s, if Gulfstream was among competitors at all, it was from Dassault of France, makers of the Falcon series of jets. Then in 1989, Bombardier announced that it was set to design and produce an ultra-long-range business jet, aiming for 8,000 nautical miles. No aerospace company anywhere was offering a business jet that could fly farther than 6,500 nautical miles without refueling. Though the company was a long way away from making a production decision, Bombardier then saw a sales appeal of a plane that could serve global markets, jetting not just American ambassadors to South Africa, but Japanese electronics kingpins to New York City, or London-based bond traders to Singapore. "It was the first time that Gulfstream was ever faced with a competitor that was going to have an airplane that was newer, more capable, and would capture the top end of the market," says John Loren, president of Canadian's business aircraft division.

Gulfstream responded quickly, not only by transporting Dac it was would produce an ultra-long-range version, but that it would fly farther—6,000 nautical miles—and be first to market. It was never really a race. Bombardier did not formally launch the Global Express program until December, 1990, when Bombardier had 30 firm orders in hand. And he announced that the project would not be a solo fight for his company, but rather a risk-sharing partnership that would see the likes of Japan's Mitsubishi Heavy Industries Ltd., which designs and manufactures the plane's highly swept wing, share the plane's 8800-million development cost. By then, both Bombardier and Gulfstream had targeted 6,500 nautical miles for their new planes.

at Express won't have her first flight until late September, but for Bombardier the swish launch marked the jet's big day. "Now," says Bombardier CEO Laurent Beaudoin, "people can touch it. They can see that the product is real." He says that the company has firm orders for more than 50 jets (disturbance buyers should note that ordering up a Global Express requires a \$250,000 non-refundable deposit), that it will be a billion-dollar business for Bombardier three years down the road, that the Global Express will pretty capture at least 50 per cent of the ultra-long-range business-jet market.

Ten years ago, Bombardier had expanded far beyond its Sky-Bus beginnings—into defense and midway cars. But it was not in the aerospace business at all. Today, aerospace accounts for close to half the company's \$7.1 billion in sales. The acquisition of Canadian Ltd. from the federally owned Canada Development Corp. in 1988 started the aviation binge, which took the company to Northern Ireland with the acquisition of Short Brothers PLC, Wichita, Kan., with the acquisition of Learjet Inc., and Downsview, Ont., with the purchase of de Havilland Inc. That the division grew aided by government largesse is well known and has been stoutly excused. But it can be said too that under

Bombardier's ownership and Beaudoin's leadership the parts have come together to create a "family of aircraft," as they like to say in-house. The family includes commercial aircraft—the de Havilland Dash 8, and the Canadair Regional Jet, for which Bombardier last week announced a \$432-million, 16-plane sale to Mesa Air Group Inc. of Farmington, N.M. And a business-jet group that runs the gamut from the Learjet 31A (a light corporate jet at roughly \$7 million), up through the Canadair Challenger 604 (yours for \$27 million), to the Global Express, which is the copper.

It is also the upstart. The high-end business-jet market has been dominated by Gulfstream Aerospace Corp. of Savannah, Ga., since 1986 when it introduced the Gulfstream II, the first high-speed, large cabin business jet, which quickly became the standard-bearer for rock stars and high-flying CEOs. So when Beaudoin says, as he did in his elegant Montreal office last week, that he is

BY JENNIFER WELLS

My she's got there she sits, all 55,000 lb after which she's fully loaded, the aluminum clanking on her double-crease wings polished up like the finest silverware. Standing at her rear, adepts can follow the sweep of her beautifully scalloped fuselage, a physical feature that, say her engineers, will help her cruise at Mach .86. They say she will do 6,500 nautical miles—Randy to Washington—without refueling, that she will be the finest long-range business jet money can buy. Big money, that is. Shipped bare, before the gold-trace, crated-and-wired metalclashes, she sells for \$40 million and change.

Her project name was Quest Express. Later, her corporate crest, Montreal's Bombardier Inc., settled as the Global Express railroad. Five years after Bombardier announced its tentative intent to take the huge risk of entering the small, sexy, high-priced end of aerospace, the first Global Express was ready to roll out this week in Toronto to be signed by such corporate titans as Power Corp. chairman Paul Desmarais, who is still flown about in a Challenger 604 and could probably do with an upgrade. The Glob-

BUSINESS

the Bombardier Sea Doo, had been forecasted to grow by 30 per cent in North America this year and mirrored well. Merly puts a more modest 10-per-cent increase in unit sales. Still, the whopping Global Express price tag marks a product that will clearly be vulnerable to financial entrenchment within customer companies as well as economic slumps in foreign markets.

But Laverne argues there is a place in the long haul. The Global Express, he says, "has growth capability inherent in the design, which will allow that design to grow through the next 25 to 35 years and last it to be a modern airplane that enters the next century. The GV is a derivative of a plane that started out in the '60s."

Laverne believes that the Bombardier family of airplanes will have a pull-through effect, using clients to move over to the less-expensive price class. "Globexness," he says dismissively, "is a word-product family, one that is owned by Mr. Forstmann and is not contained in the long term to aviation in the same sense that Bombardier is."

"Mr. Forstmann" is Theodore Forstmann, a New York-based lawyer-turned-aviation entrepreneur in Berkshire of the Gate as a licensed broker, which to other players in that sector sounds almost synonymous. "Ted Forstmann fervently believed public bonds had permeated not only the LBO industry, but Wall Street itself," said the books authors. The style of Forstmann Little & Co. was to "buy companies to work side by side with management, grow their business, and sell out in five to seven years."

Forstmann bought control of Globalview from Chrysler Corp. in

1990. "The IPO would be more of a concern to us if [a long-term customer] decided to initiate the purchase of it," he says. "Reaching the IPO one sees that the money that is being invested from the market is not going into Globalview as a company, it is not going into the future of product development, it is not going into cash flow. The money is coming out and going to the investors within Forstmann Little and to people in the management team at the expense of the company."

A key member of that team is Bryan Moss, who up until the spring of last year had spearheaded the Global Express project only to switch horses midgallop and move to Globalview. Laverne, who ascended to Moss's job, says spurningly that "it created a dilemma of credibility for Mr. Moss to have been so closely associated with the Global program and to move to a direct competitor." (The shifting loyalties of Moss, who could not be reached for comment, can perhaps be explained by his base salary at Globalview last year of \$440,000, a signing bonus of \$440,000, a performance bonus of \$422,000 and more than \$4 million worth of in-the-money stock options as of the end of last year.) Moss's move is less life-size some as in time for Beaudoin says that he sees that Globalview has an 85 per cent share of the GV's. "They should have an order book a least a year more than us," he says, knowing he would be concerned if Globalview had a 25-per-cent share as opposed to roughly 10. "And that's not what they have."

Still, Globalview is a powerful player with a known name brand and a solid customer base that consists of 225 of the Fortune 500 companies. When Edward Phillips, an transportation editor at the Washington bureau of *Aviation Week*, looked at Globalview recently,

he says he was impressed by the company's building of two models concurrently—the GV and the GVX-50—and by the caliber of operations, which belies the picture of a company run by clever financiers. Phillips, who sees the GV and Global Express as an extremely similar aircraft, defines Bombardier's attempts to have its creation seen as a virgin aircraft.

That said, Phillips believes, and he says he is being liberal here, that the market over the next 15 years for planes of this type could reach 600. If Phillips is right, there does not need to be a victor in this to see both companies profit from this latest joust. Bombardier says it will break even when it produces its first Global Express, and will be pleased with 250 planes for the model. (The company will take planes 1 to 5 for itself. "When I 1, I sell it," says Beaudoin.) "I think the market is large enough for two players," says Phillips. "But certainly not for three." The market appears to agree. Dussault announced three years ago that it had decided against making an ultra-long-range business jet of its own.

Laverne suggests that the market shrivel will not go as smoothly as that. "If it were to sit down five years from now, we wouldn't be having the same conversation about our competition," he predicts, referring, of course, to Globalview. The Global Express, he says, looks "treble" and "complicated" for the team in Savannah. "They're very complicated in what they can do," he changes. "Their time is running out."

Back at its Montreal, on a horrendously sunny Toronto day, Bombardier workers in royal blue overalls across under the wing of the second Global Express in production. Her external parts have been recently mated, as they say. Her time has just begun. □

BOMBARDIER ON A ROLL

Bombardier's sales in billions of dollars for fiscal year ending on Jan. 31, 1995

Aerospace	33.3
Sea-Doo's and Ski-Doo's	1.6
Rail Transit Systems	1.6
Defense	0.5

April 1994, showing sales power Bombardier's advance



1990, restructured the company and, by 1994, returned it to profitability. He struck an international advisory board to assist the company in penetrating foreign markets. On this board sat the likes of former U.S. secretary of state George Shultz and Hollinger Inc. CEO Conrad Black, whose "propaganda arm," as critics labeled it, is owned by the company as "Creative."

Forstmann now wants to take Globalview public, which he has tried before, only to pull the prospectus from a disinterested investment market. Going back to market has led to nothing glowing at Bombardier. In registration documents filed in early August with the Securities and Exchange Commission in Washington, Globalview has disclosed how the chief prospect of the initial public offering (IPO) is to repurchase stock held by Forstmann Little Partnerships. Assuming a \$23 (U.S.) share price, the net proceeds to the company—after the Forstmann payments and expenses associated with the underwriting, led by Goldman, Sachs & Co.—will be, well, nil. Meanwhile, the company's debt will very nearly triple to \$540 million and its interest expense will almost double to \$45 million. Encounters at Bombardier have clearly enraged many in the Globalview camp. "We are industrialists, we develop an airplane for the long term," says Beaudoin. "We don't develop an airplane to go into the market and make an IPO and get out." Adds

Ross Laverne



Personal Business Flight into cyberspace

When it comes to complicated pricing structures, low airlines prices even come close to the airline business. On any given scheduled flight, chances are that only about 10 per cent of the passengers have paid full fare, most of them last-minute business travelers. Everyone else will have received some degree of discount, paying an average just 35 per cent of the regular fare. To an outsider, that may seem monstrous, but there is a compelling economic reason for the wide discrepancy in ticket prices. Airlines is a business with high fixed costs—for planes, fuel,

roughly half the standard fare. Since then, Cathay Pacific has staged two more offer auctions, the most recent one involving 387 first-class, business and economy tickets—the equivalent of a 147 jumbo jet filled to capacity—on Los Angeles to New York City to Hong Kong, between May 14 and July 14, when the auction closed, the airline received 54,790 subscriptions. Proceeds from the three auctions are expected to total \$640,000.

American Airlines has also experimented with ticket auctions over the Internet, offering vacation packages to selected U.S. cities from any city served by the carrier in the 48 contiguous states. In addition, vol-

unters to the airline's Web site can sign up for a free e-mail newsletter, which notifies them every Wednesday of last-minute, deep discount fares for trips leaving on the upcoming Saturday and returning the following Monday or Tuesday. Simple round-trip fares include New York-Boston-Miami for \$109, which began in late February, American's Net-

A growing number of U.S. airlines are using the Internet to find buyers for empty seats

News-e-mail program has attracted more than 120,000 subscribers; the company expects to reach the quarter-million mark by year's end. Recently, American's e-mail newsletters have also included low-cost discounts from Hilton Hotels and Avis Rent A Car, to other companies that are looking to unload excess inventory. In fact, the idea has proved so successful that Northwest Airlines, USair and Continental Airlines have all won the war to launch similar e-mail programs in the past few weeks.

So far, neither Air Canada nor Canadian Airlines International has used the Internet to fill empty seats, although both companies say they are analyzing the U.S. experience and could follow suit. They may have little choice, and without U.S. airlines, Julian Mulhalla at Seaboard Brothers, says that no-line ticket sales represent a "third revolution" for the airline industry, comparable in significance to the introduction of jet aircraft in the late 1950s and deregulation in the 1970s and 1980s. If so, this is not one revolution which both sides—the airlines themselves as well as price-conscious travelers—are likely to emerge as winners

What the airlines really need is a convenient way of selling off some of those empty seats at the last minute without diluting the revenue from passengers who are prepared to pay more. In the past few months, several major carriers have come up with a method of doing just that, using the Internet to communicate directly with bargain-hunting customers.

Being Ring-bashed Cathay Pacific Airways was the first airline to offer outside deals for Internet users. Last September, the airline gave visitors to its World Web site a chance to bid for 50 round-trip business-class tickets on its Los Angeles-Hong Kong route. The winning bids averaged \$2,000,

Mike's Picks

OF MICHAEL TROVATI'S FORTUNE AND CIO'S OWN COMPANIES

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Business NOTES

PRIME RATE CUT AGAIN

The Bank of Canada lowered a key interest rate 25 basis points to 4.25 per cent in yet another attempt to kick-start Canada's moribund economy. The cut prompted Canada's major banks to slash their own prime lending rate by one-quarter of a point to 5.75 per cent. But most analysts believe that interest rates, which have reached their lowest point since 1954 after 16 drops in the last 16 months, will not be reduced again soon.

INVESTORS LOSE BIG

Irwin-born Melnick Adbashe, 35, of Toronto was charged with fraud and extortion following the collapse of a massive pyramid scheme last fall. 10,000 investors in Ontario, British Columbia and Europe lost of more than \$50 million. Under the scheme, dubbed System B, investors were told they would receive huge returns for investing in currency markets. They were also told to invest in businesses operated by associates of Adbashe.

WOMEN LEAD MORE FIRMS

A study by the Institute for Small Business found that firms headed by women are increasingly becoming a force in Canadian business. The report found that more than 700,000 companies, or nearly one-third of the national total, are led by women. "Women-led businesses are a significant, powerful force throughout the economy," said Michele Fraser, a spokeswoman for the institute.

BATA SEEKS NEW FIT

Fortnite group Bata Ltd. of Toronto is again trying to reshape its far-flung operations. The family-owned firm has commissioned a review of its operations, which have been stuck in the face of stiff competition. But its success will largely depend on Thomas Bata, the firm's 51-year-old patriarch who previously vetoed attempts to restructure its European operations.

CLINTON HITS SMOKING

President Bill Clinton approved rules to curb teen smoking by restricting the sale and advertising of tobacco, including cutting advertising aimed at young people. Officials said it was a major defeat for the tobacco industry because the president "accepted that cigarettes are delivery devices" for nicotine. As a result, cigarette use will now be slowly reduced by the Food and Drug Administration.



Simon talks to CP staffers in Toronto: a new life for the agency

A reprieve for the national news service

Canada's major newspaper companies reversed course and withdrew a death notice to The Canadian Press, canceling plans to gut the 79-year-old news agency they operate as a co-operative. Led by Southern Inc. of Toronto, some of CP's member-owners began talking at the costs of The Toronto-based service, which provides national and international news to 87 of Canada's 194 daily newspapers and most of the country's radio

Southern executive Ian Arncliffe, who will help develop a "newswire" plan. Hollinger also tightened its grip on CP with the appointment of Michael Simon to CP's board of directors. Simon, who is also chairman of the Hollinger-owned Starline Newspaper Group, did not rule out layoffs among CP's 250-member staff, but he said the decision to re-negotiate with the national unions is "a commitment to go forward."

FINANCIAL

Canadian debt for sale

In an effort to reduce the \$400 billion of Canada's public debt, the federal government is looking to sell off some of its holdings. The government is looking to sell off some of its holdings. The government is looking to sell off some of its holdings.

own shares. In the fall, a Canadian Ontario corporation owned the Canada Mutual Debt Agency will start trading new forms of federal securities, yet to be named, the way Canada Savings Bonds and Treasury bills are now marketed. The new investment instruments may be eligible for insurance by RBC's. The firm has a plan to shift a large portion of the

debt to Citicorp and should the country there network do savings where lower debt holds as sell off Canadian bonds. "This means finding you how the debt is, the more strategy you bring," said Josephine Desjardins who will head the new project. "It's not as political or social as stocks, it's a low level that Canadians would pick out at a moment's notice."

Detectives on the trail

Truth is often stranger than fiction—especially, it seems, in the book business. Early in August, Chapters Inc., the country's only Canada-wide book retailing chain, launched a lawsuit against Toronto businessman Heather Reisman and his firm, New Industries Inc. Reisman plans to build a chain of book superstores across Canada to rival Chap-

ters and, to help, his firm has hired away a number of Chapters executives. Chapters, claiming \$10 million in lost sales, says in court documents that Reisman "is directing a campaign to lure away and hire key individuals from Chapters—individuals who have vital knowledge of Chapters' confidential proprietary information." And it is a move it is keeping with the

mystery novels that Chapters sells, the documents add that the firm hired a private detective to tail Deborah Lowington, one of the Chapters managers who joined Reisman. Chapters refused to comment on the suit or the activities of its personnel, but Reisman was less reticent. "I was shocked," she said. "I can't let the life of me understand why they would go to such lengths. It does seem stranger than fiction."



Peter C. Newman

An airport's ailments: almost terminal

Lost or lost, Toronto is still the economic centre of the Canadian universe. What makes that arrogant city-state accessible is Lester B. Pearson International Airport, which handles 22 million passengers annually, the equivalent of more than two-thirds of Canada's population.

To grow that Pearson airport is a hopeless administrative ruse. To impose a sensible solution to its horrendous problems has become need or impossible.

It's a local issue with national implications. Pearson airport is a huge enterprise, outside of the United States, only eight airports handle more passengers (London, Paris, Frankfurt, Amsterdam, Hong Kong, Tokyo, Osaka and Seoul). About half of all air travellers who start their trips anywhere in Canada go through Pearson, either as originating, terminating or connecting passengers.

The federal government, which owns Terminals 1 and 2, as well as the airport's ground area and runways, has been studying Pearson's future for more than 20 years, and nothing much has been resolved. At the end of this year, an independent Greater Toronto Airports Authority is due to take over ownership and management of Pearson's Terminals 1 and 2 and assume local-level control from Transport Canada. Terminal 3, built by private-sector interests in 1986. Such status would give the GTAA the right to determine which airlines land at which of the airport's terminals.

Pearson's key problem relates to terminal capacity. The current traffic of 22 million passengers per year is unevenly divided, with Terminals 1 and 2 operating at capacity while Terminal 3, designed for 12 million people, is handling only seven million. No one is sure how rapidly traffic will expand (it grew by eight per cent in 1995), particularly because the Canada-U.S. open skies policy will allow U.S. airlines unrestricted capacity to Canada as of February 1998. In preparation for that, Air Canada and Canadian Airlines have already increased their trans-border flights to 60 a week, up from only 102 a year ago.

Another headache is Terminal 1, which is more than 30 years old and desperately in need of replacement. Its parking garage is crumbling into dust, with less than half of its floors now considered safe for parking. Its fire alarm need to be replaced, as does its sprinkler system. Mayor Hazel McCallion of Mississauga, the municipality in which the airport is located, late last year declared that "if there is any delay in getting on with reconstructing Terminals 1 and 2, they should be boarded up." Terminal 2, which is 20 years old, was superficially modernized by Air Canada in 1994, but its layout (it was originally designed to handle cargo) prohibits efficient passenger flow.

The seriousness of the problem was recognized in 1988 when the Mulroney government decided to rebuild the first two termi-

nals and awarded the \$750-million contract to the Proquest group, headed by Don Matthews of London, Ont., a well-known Tory. The arrangement, which would have allowed Proquest to own and manage Terminals 1 and 2 while paying rent to Transport Canada, was cancelled by the newly elected Jean Chrétien the following year, on the basis of improper charges that Joe Grout had won acceptance for patronage reasons. Q1 2001 services continued by a Senate committee on the issue indicated suspiciously that there was no undue political interference during the contract negotiations, and that the influence of Tory lobbyists was negligible.

Proquest sued for breach of contract, won its case, and was again asked the government appealed. The Chrétien government (which, paradoxically, has been fighting the airport contractors for more of its patronage reasons) immediately introduced a parliamentary bill that would deprive Proquest of any payment except its costs, and not allow it to take the case back to court. After the Senate declined the Chrétien bill last spring, the government negotiated by saying it would introduce similar legislation in the fall.

The issue will come to a head at the end of this year, when the GTAA takes over Pearson's administration. Based on the successful Vancouver airport devolution of two years ago, the issue will place Pearson under an independent board that will run it like a business, except that its profits will be played back for future expansion. The GTAA's operating head and CEO is American-born Lewis Turner, a tough banker who used to run San Francisco International Airport. His idea is to spend \$2.3 billion putting up a new super-terminal to replace Terminals 1 and 2—though it's not clear how the funds would be raised.

What is really needed is to have all the terminals under common ownership. A discreet effort to achieve that is under way by Michael Viscusi, a Montreal lawyer and longtime Director-General of the airport, and Eddie Cohen, a Toronto real estate guru and a major force in fixing problems. They have been commissioned by the owners of Terminal 3—a 14-member syndicate headed by the Montreal Boardman—to sell the facility to the GTAA. The syndicate is uneasy and patient, but its members also want out of a sticky political mess. Apart from the obvious residual efficiencies, the sale would free Terminal 3 from capacity of five million passengers a year, at present. Turner must seek to ease the terminal's excess capacity, which the terminal is free to do.

The problem is that one of the prominent members of the Terminal 3 owning syndicate is Don Matthews, who was also the main backer of the cancelled Terminal 1 and 2 deal. So politics remains the most unsuitable is not so much the price as the politics of the situation. It's high time for all parties to stop back, remove the political poisons of the situation and give Toronto a decent, 21st-century airport.

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People

Edited by
BARBARA WICKENS

More gold in Atlanta

Swimmer Walker Wa went to the Paralympic Games in Atlanta with high hopes. But the 34-year-old travel agent from Richmond, B.C., exceeded those expectations even before competing in his final two events.

Wa, who has a condition called optic nerve dysplasia, which leaves him with less than 10 per cent of his vision, cheered up the Olympic Aquatic Centre, winning gold medals in the 200-m individual medley, the 100-m and 400-m freestyle and the 100-m butterfly. He won the 400-m freestyle in 4:21.08—more than 11 seconds faster than the previous world record. Wa was unable to see the Canadian flag being raised during the medal ceremony. But he never tired of hearing *O Canada*. "Every single time, I got chills hearing that anthem," he said.

Wa was not the only record-breaking Canadian. Wheelchair racer Chantal Petitfleur, 38, coming off a fifth-place finish in the 800-m event at the Olympics, collected two gold and two silver medals at the Paralympics going into the final weekend. The Montreal television host, a paraplegic, set a world record in winning the 100-m and broke the Canadian record in the 200-m. "It doesn't heal all the Olympic



Petitfleur (left) gold-medal winner Wa. "Every single time, I got chills hearing that anthem."

wounds," said Petitfleur, "but it helps a bit." Wheel sweeper Marie Claire Hava of London, Ont., a 30-year-old nutritional science student at Ryerson Polytechnic University in Toronto, also kept pace with Wa and Petitfleur. With two races still to go last week, she had won gold medals in the 300-m breaststroke and 200-m individual medley in go with bronze medals in the 300-m freestyle and 100-m butterfly. Among the silver crowd at the 9,500-seat Aquatic Centre were Hava's parents, her brothers and sisters, and her grandparents. "Every athlete here has trained hard," she said, "but having that extra support—that's the kind of thing that makes you win."

JOHN HARRIS/CP

Examining civilization and savages

A scholarly life as an anthropologist might seem an unlikely background for the writer of a self-help book, but author Pamela Peck wanted to make her field relevant to everyday life. In *The Savage's Cookbook*, Peck, 51, a former lecturer at the University of British Columbia in Vancouver and a frequent pinch hitter, juxtaposes her academic research with observations on modern life to illustrate that "civilized" societies have customs every bit as strange as those practised by so-called savages. "Unless and until you see how culture conditions us to do

what it wants us to do, you can read as many self-help books as you like, but you'll keep on doing it," she says. "Once you see it, you can free yourself from it." In fact, the book is not Peck's first contribution to popular culture. She wrote the scripts for audiovisual presentations at the UN pavilions at Expo 86 in Vancouver and for Expo 88 in Australia. And in Fiji, one of many countries where she has researched indigenous cultures, Peck recorded two popular albums in the mid-1980s. She got her start performing when she was growing up on her family's farm in Sherbrooke, N.S., where she was part of her family's professional log-colling team. Peck says she's always asked how she stayed on top of the logs. "It's the way you stay on top of everything else in life—balance."

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Hoping to make it on his own

When a singer has a father named Jello Biafra, he could have an easy entry into the music business. But Enrique Iglesias, 31, did not want to be seen as trying to cash in on his father's phenomenal fame. Last year, he left the University of Miami, where he was studying business administration, to record his debut album in Toronto, San Francisco and Los Angeles. Full of romantic ballads and songs from the heart, Iglesias's eponymously titled Spanish language album has already sold nearly three million copies worldwide and reached No. 1 within a month of its release in the Latin category in the music industry's bible, *Billboard* magazine. And it was only then the elder March-based Iglesias, who himself has sold over 100 million albums in six languages worldwide, learned that his son was also a singer. Says Enrique: "I wanted to go through the same steps a normal person would go through." And he guesses at the suggestion that they sound alike. "It's psychological," he notes. "The only way we are similar is how we feel the music." Not to mention album sales.

Iglesias: "It's psychological."

Probing the deeps for cosmic clues

BY DANYLO BAWLESZKA

They call it "The Cavern"—and for good reason. Forty meters are squeezed in shoulder to shoulder, before the operator slips the gate to the ascending elevator shaft. The only light comes from headlamps slung over miners' shoulders. Floors are ladden in shadow. At a signal from the operator, the lift starts its ascent, bumping and clanging into the depths of two led's bright light on the walls of Sudbury in Northern Ontario. Down and with the sudden change in pressure. Also heading more than a mile underground are a handful of new minds searching for the earliest secrets of the universe. Together, they are building one of the most eagerly anticipated research facilities in the world: the Sudbury Neutrino Observatory, a \$70-million engineering marvel housed in a 10-story cavern blasted out of rock beneath the Canadian Shield. Once construction ends early next year, SNO will be a scientific facility unique in the world. Says SNO's director, Art McDonald, "This is groundbreaking work—no pan attendant."

Countdown hours aside, SNO something to laugh at. Physicists will use the facility, begun in 1990, to observe neutrinos, ethereal particles produced in astronomical quantities by stars such as the Earth's sun. Scientists hope neutrinos will help explain why the universe seems only one-third of what it should, since all the stars are added up, and perhaps when the universe will come to an end. As we, there is the allure of discovering the unknown.

Researchers are building SNO in a mine because neutrinos have the ghostlike ability to go through almost everything—including humans. By burying SNO underground, the observatory's sensitive detectors will be protected from disruptive cosmic radiation, while the neutrinos themselves will have no trouble penetrating the Earth's surface to reach the "observatory" 6,800 feet below. Yet just how much research will be done is not yet clear. The international team of scientists is supported by funding from three nations: Canada, the U.S. department of energy and Britain's Science and Engineering Research Council are paying for the construction, with substantial contributions from Japan and Japan's Agency of Cosmic Rays (AEC). Canada's Natural Sciences and Engineering Research Council (NSERC), meanwhile, has yet to decide whether SNO will receive all of the \$4 million needed to fully fund the first year of operations, a decision expected by March. "I don't think there is anyone who foresees that there will be no money to run SNO next year," says McDonald. "It's merely a question of quantity and adequacy."

Neutrinos, the name means "little neutral ones"—are one of nature's basic building blocks, indistinguishable to us for anyone knows, and poorly understood. What is known is that the sun is a prolific source, producing 200 trillion trillion trillion every second. In an instant, an exploding star, or supernova, discharges 1,000 times more neutrinos than the sun will in 10 billion years. And they are as elusive as they are numerous, billions pass through human bodies every second without striking anything (the one or two that do during a person's lifetime cause no harm).

Strangely enough, physicists and astronomers think there ought



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What researchers find in Sudbury might revolutionize science

to be more neutrinos coming from the sun. One possible explanation is that prevailing theories of how the sun works are wrong—which, if true, would turn astrophysics upside down. Another theory suggests a link to the fact that there are three types of neutrinos, or "flavors," known as the electron neutrino, muon neutrino and tau neutrino. The theory suggests that the "missing" neutrinos may be transforming from one flavor to another—a transformation perhaps unaccounted for because observers initially, Japan, Russia and the United States cannot distinguish between the three. SNO, however, will be the only facility capable of doing so.

Roma Lenio, a physicist at Lawrence Berkeley National Laboratories in California, has his own take on neutrinos: "If you count up all the stars," Lenio says, "the universe doesn't weigh enough." The uni-

verse's weight is dark matter, he says, in where the bulk of weight is believed to be. But what is dark matter? While it has never been seen, dark matter's existence has been deduced by measuring the gravitational force that keeps galaxies spinning and orbiting the way they do. SNO will help determine whether neutrinos, in the language of science, have mass. If they do, they would be a critical part of dark matter since they rarely interact with anything else in the universe and their mass would exert significant gravitational pull on the expanding universe. That would then affect scientists' understanding of whether there will someday be a Big Crunch—a time when the universe reverses its present expansion and comes to an end.

But for the moment, the trick is to catch a neutrino. That objective drives the selection in the dark lift, which finally stops at the 6,800-ft. level, bobbing unevenly at the end of its majestic cable. The walk to the observatory is more than a kilometer long. Even though it is still far from the Earth's surface core, the temperature here would be 40° C. And for the thousands of hours of construction here, that's hot. Dark hangs like heat. Boats are scrubbed at the entrance to SNO, and the same and the same is left behind inside, visitors must shower, don new clothes, boots and a hat not before going through a final air shower. "It is strictly controlled because it has carry natural occurring radioactive particles, which in turn could interfere with SNO's measurements. Upon completion, the center of the observatory will have the lowest level of radioactivity of any man-made place in the world. In terms of cleanliness, says Doug Haldane, a Lawrence University physics professor, "we're in the same ball park as an operating room."

Before there was a sterile laboratory, there was a hole in the ground in need of diggery, a hole that fell to Philip Oliver, SNO's geophysical consultant. It was Oliver who helped decide where the hole-shopped, 33m-by-32m cavern housing the observatory would go. Enormous lateral pressure exerted by tectonic plates pushing against each other required judicious planning in the wrong location, without appropriate rock support, the cavern would collapse. Oliver, a 33-year-old mining engineer, tested examples for strength and elasticity and chose a stable site at the 6,800-foot level, well away from the nuclear core still being mined at Craiglith. The exca-

vation took six separate blasts, and not all went as planned. Before one explosion, Oliver placed himself in such a way that he had been seen 300,000 miles from the nearest space between himself and the detonation site—enough to avoid the shock wave. One problem, the blast actually unleashed more than a million cubic feet of gas. The spent fumes blew right by Oliver. "It was just like a gale," he says. "I had to hold onto something to keep from falling in the air."

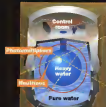
The dust from that incident has long since settled. Today, most of the major work is done. SNO's control-room floor sits snugly anchored in the rock face near the top of the manmade cavern. Suspended from the floor, extending into the cavity below, is the observatory's "eyes," a 12-meter-diameter sphere. The sphere will be filled with 1,000 tons of heavy water, normally used as a moderator and heat-transfer agent in CANDU nuclear reactors. The non-radioactive water, produced by Ontario Hydro and on loan from AECL, has an extra neutron in each hydrogen nucleus and is especially sensitive to neutrinos. Of the trillions of neutrinos passing through the sphere each day, roughly 30 are expected to collide with a neutron in the core of a heavy water molecule. The collision will emit an electron, which in turn will be detectable as a flash of light. That flash will be picked up by 9,500 light sensors, called photomultipliers, embedded in the plastic sphere that surrounds the heavy-water vessel. The two concentric spheres will function much like a camera. One pair will be there to shield the heavy water from unwanted radioactivity. The shielding will be so thorough that the center of the heavy-water vessel will have the lowest point of radioactivity ever created. Says McDonald, who also teaches physics at Queen's University in Kingston, Ont., "It's like building a ship in a bottle."

If that ship of sorts is to set sail, it will need Gerry Lloyd, SNO's mine co-ordinator, who, Oliver, was coaxed out of retirement after more than three decades of mining. On Lloyd's broad shoulders rests the responsibility of getting everything needed to build a 10-story observatory down a narrow mine shaft. "Our next big challenge is to dig a 33-meter-long tunnel, 3.5 meters underground without losing a drop," McDonald designs. "Don't worry, it's only worth \$800 million."

On the road, some parliamentarians question whether the federal government has cared to be scientists. In times of fiscal belt-tightening, basic research like SNO is a tough sell. But now the federal government has a strong political reason for the project. Jon Gerrard, secretary of state for science, research and development, "We're going to have some long-term payoffs from this," says Gerrard. "Even though we don't know precisely where the answers lie, the answers lie in the neutrino are right now." It was only in March that Gerrard was finally able to confirm that SNO would get a basket of funding to complete construction. Still, there is hope. While NSERC has not finalized how much it will spend on SNO, the agency's long-term planning has nevertheless declared that the observatory remains its pre-eminent funding project in subatomic physics. In order for Canada to become a world leader in space science, it seems clear that the country must boldly go where no one has gone before—to catch the elusive neutrino. □

THE NEUTRINO RIDDLE

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Lessons from the bottom of the sea



Scientists probe Earth's history in Saanich Inlet

The illuminated, it looks like more, mooring than a long, thin line of grey plastic. That is a scientist like Jeffery Fox, a Texas geologist who oversees an extraction last week from the bottom of a deep bay 30 km north of Victoria, the 96-m-long wreckage of a small, seven-compartment research vessel, the seabed sample to a repository of previously unknown details about the ancient climate, wildlife and vegetation of Canada's west coast. It is just one of thousands of such samples that the ship has retrieved from ocean sites around the world as part of a major research project, says Fox, director of science operations for the vast undertaking. "We are to an understanding of the Earth's history when the mobile telescope is in an underwater world seeking to understand deep space."

By any measure, however, the core samples taken from Saanich Inlet are extraordinary. The reason: the long, narrow fjord's highly unusual configuration. In concert with only a handful of other locations around the globe, the 20-km-long inlet is deep—up to 230 m—in the middle, but compressively shallow at its open northern end. As a result, the powerful tides that regularly flush the rest of the B.C. coast have little impact on the bay's deepest parts, where the water has lain undisturbed so long that it is virtually devoid of oxygen. That, in turn, means that as life exists in the bay's depths to today's salt, ancient remains and other debris that have collected there as layers year after year. By analyzing those layers of debris, scientists hope to reconstruct the natural history of coastal British Columbia with an unprecedented degree of accuracy. So minutely detailed is the historical record held in the seabed that scientists can "actually see seasonal layers," enthuses Drilling Director, the Canadian marine geologist who proposed the British location.

The JOIDES Resolution, Bernhard Gertke core samples shed light on the future

What researchers expect to find in the ancient mud, however, may shed as much light on the future as on the past. Layers of sand that indicate a sudden disruption of the seabed will extend the record of known major earthquakes in the Pacific Northwest back from the current horizon of about 500 years before Christ, to more than 10,000 years ago. Researchers hope to use the information to help determine the likelihood of a major quake in the near future. Similarly, analysis of fish scales and teeth embedded in the mud may show whether the population of such species in salmon and herring fluctuates according to natural cycles—not whether their declining numbers now are solely the result of man's intervention.

It took less than 70 hours last week for researchers to uncover the first evidence from the past with disturbing implications for the present. B.C. government geologist Richard Hebl, one of two dozen Canadian scientists involved in the initial examination of the seabed, discovered among indications that, at least once in the not-so-distant past, the Canadian climate has changed for the worse with catastrophic speed. Hebl's data says that, about 10,000 years ago, average temperatures on the west coast plummeted—within a period of a few years—from close to their modern-day values to a level range more common near the North Pole, and then remained in the deep freeze for several centuries. "Geologically speaking," Hebl says, "it is an instantaneous change of the climate." In light of a gathering scientific consensus that greenhouse pollution may be pushing the global climate towards similar changes, the evidence of such past shifts, Hebl said, "is pretty scary."

Still, it is to uncover just that kind of information that the 143-m JOIDES Resolution undertakes half a dozen research cruises annually, from its base in Texas. But in Halifax in 1978 as a deep-sea drilling vessel, the ship was hired in 1984 with laboratories and specialized equipment. Now, at an annual cost of \$60 million—60 per cent off-budget by the U.S. government, the rest by various other national science programs, including Canada's \$10 million a year—the ship is capable of sampling the Earth's crust at depths of nearly eight kilometers beneath the surface of the sea. After collecting seven core samples in the bay north of Victoria last week, the ship was set to resume an investigation of the Juan de Fuca Ridge, a region of deep-sea volcanic activity some 370 km west of Vancouver Island. There, an array of scientists hoped to expand their understanding of how seawater reacts with lava to form natural deposits. Significant as that work may be, however, it is unlikely to eclipse the importance of an area as rich in life as the seabed over the lessons to be learned from the glass, grey mud of Saanich Inlet.

CHRIS WOOD/JOIDES Resolution

Taking on the world

Hockey's Canada Cup gets a transatlantic shine

Last spring, amid the tumult of the National Hockey League playoffs, the league's players association sent letters to its best and highest-paid members asking them to take a month out of their summer holidays and work for less than their usual pay. The carrot? To play in the first-ever World Cup of Hockey, an eight-team tournament that begins this week in Stockholm and winds up in mid-September in Montreal. Brendan Shanahan, a Hartford Whaler forward from Mexico, Ont., was the first to write back. He was soon followed by Germany's goalie Olaf Siebert of the Washington Capitals, who lined up his response at 7 a.m. the morning after playing a triple-overtime game against the Pittsburgh Penguins. Keith Primeau, a Dallas Stars left wing forward from Toronto, notified the players association on the day of Game 7 in the Wings' series against the St. Louis Blues. They all said yes.

"It's the whole atmosphere, the chance to play with the best, to play for your country," says Philadelphia Flyers forward Eric Lindros. "When you come here, you better have your A-game."

The Canada Cup is gone, a victim of hockey's growth, but longtime fans will be comforted by the fact that this is a new Cup. It looks a lot like the old

one. The bi-continental schedule and the traditional rivalry remain intact. And except for Pittsburgh superstar Mario Lemieux and Czech goaltender Dominik Hašek, who chose to sit out, the world's best players are all in attendance. Such Canadian veterans as Wayne Gretzky, Mark Messier and Scott Stevens will be cheered by the younger legs of Lindros, Scott Niedermayer and Ed Jovanovski. The Czech Republic boasts Petr Nedved and Jaromir Jagr. Finland will be led by Teemu Selanne and Jere Lehtinen. Russia has veteran Pavel



players association and the International Ice Hockey Federation—decided nearly two years ago that the event could no longer be confined to North American boundaries. The notion, true or false, was that no one outside the Great White North really cared about something called the Canada Cup. Moreover, the league wanted to create a European appetite for licensed products such as hats, T-shirts and jerseys. To promote those aims, one of two licensing decisions—competing Sweden, Germany, Finland and the Czech Republic—

will play its first-round games in Europe. The North American quartet, with Russia and Slovakia joining Canada and the United States, will play in Vancouver, Ottawa, Montreal, New York and Philadelphia. Three teams in each division will advance to the next rounds, which will be played solely in North America. The tournament also acts as a dry run for the 1998 Olympics, when NHL stars will be back by their teams to play for their countries. "We aren't expecting the Cup to change the fortunes of hockey overnight," league commissioner Gary Bettman said, "but it is a step in the right direction."

The bloodlines of the World Cup run deeply in Canada. It is a direct descendant of the 1972 Summit Series, when Canada and the Soviet Union battled to the last seconds of an eight-game set before Paul Henderson set narrowly and suddenly gave Canada the victory. That series began the 1978 Canada Cup, which included the top European teams and the United States. For fans, the format was an enigma. In the First Cup, for instance, new star forward Bobby Orr, the era's dominant player, played his last professional game, and established Czechoslovakia as a world hockey power—Canada's 1-0 loss to the Czechs in the opening round was widely acknowledged one of the greatest games ever played. And the 1987 Cup pitted Gretzky and Lemieux, a prolific tandem that proved too much for the Soviets in Canada's thrilling final game victory.

Media interest for the current Cup was slow to build. "We were hurt in the United States by the Olympics—no one wanted to talk to us in our world," says Bernadette Adams, the NHL's vice-president of corporate communications. But that changed once training camps opened. "It's totally every market," says Steve Madson, the Cup's managing director. "It has crossed an interest in hockey much earlier than in normal seasons."

Some players have expressed concern about the tournament's name. Hockey already has the longest season of the four major North American professional sports, and such members of the Stanley Cup team as Colorado's Joe Sakic (Canada), Primeau and Uwe Krupp (Germany) had less than two weeks to prepare before the Cup is to begin. But the players insist that the Cup is not a series of glorified all-star games. And if last week's body contact collision games are any indication, no one is taking the tournament lightly.

JAMES DEANON

Rex of the Rock ponders Canada

BY MARCI McDONALD

Twirling along seems at odds with the cosmopolitan output persona whose every utterance seems to carry the cadence of the sea. In the occasional case of his entry in *Therapy's* Four Seasons Hotel, the landscape beyond the window runs in thickets of concrete and glass, and the only sights in sight are those in pin-striped suits pushing away from their power briefcases. But as waters whisk the last crumbs from the white daisies, the master of loads the way to a corner table with a proprietary air ("That's Mr. Murphy," he nods at the familiar figure decked out in unexpected sartorial splendor—a elegant cravat shirt and tuxedoed laffers. In fact, an introduction is required. In the two years since Rex Murphy burst upon CBC-TV screens with weekly regularity, dispensing his pungent ditties in a puckish deadpan and polypolitic prose, he has become the unofficial Canadian celebrities—a quirky anti-establishment provocateur who has defied the canons of conventional programming wisdom to etch himself upon the country's consciousness.

At *The National*, executive producer Taryn Bernier, who hired Murphy's spotty, two-decade-old flirtation with maverick stardom into a weekly showcase, reports an unprecedented response. "There's no other regular fixture that provides as much feedback," Bernier says. "Some viewers may disagree with him, but he still inspires a chord, maybe because there's so much qualification and outline in the rest of the media. With Rex, you know he's basically leaving the bulk of it out."

But that public embrace came as no surprise to those behind his radio gigs. In Winnipeg, where Murphy's weekly stint as TV critic for CBC's *Definitely Not the News* provides him with a lightning bolt to the bottom society every Saturday, executive producer C. Wilton Smith affirms that "he's singly the most popular figure on the show." Last season, two thirds of the roughly 450,000 listeners polled declared that they tuned in just to hear Rex Murphy's rants. "Some people call it howling at the moon," says Smith. "But in a world that's fairly sound-baby, he's in a sense literary, a throwback to another time." In Montreal, where Murphy has anchored CBC-Radio's *Cross Country Checkup* each Sunday for the past two years,

Murphy, the country's coolest gadster

said, "No, it's the other Rex." Explains Gregg: "The trouble is, he's gotten so good with the rants that people figure Rex is such a well-read, thoughtful person who is really a very good listener."

In *A Sense of Country*, that other Rex was drooping, letting people like painter Mary Pratt do the talking. Unlike headliner *Art*, that *National* showcase was not scripted. But only once in his previous pop through. The day he wore flimsy, Muloney had driven Murphy to see Lake Louise for the first time. "It's not about," he recalls, "that you're just speechless." The next morning, Gregg noted that he "woke up dead. He was kind of crusty and flustered. He was looking up at him." Then, on camera, the stars erupted in a soliloquy on a city that has failed to appreciate its "blissful" anonymity. Shredded Murphy: "We at least know it's a place where we've first learned that we should be some degree of conscious about what it means to be here."

The speech remains the defining moment of the piece, but one that still warms its critic: "In a class among those that," he admits. "I don't know if just it grows." As preposterous as those pangs of uncertainty might seem in the country's coolest gadster, in fact, Murphy is not unlike the nation itself—a perplexing assemblage of contradictions. A preceptor himself, he takes like a regular in living service station darts, which he officiates, but he is also a fixture

semit producer Susan Muloney has seen her gamble in hiring him pay off with nearly 100,000 new listeners and a swelling that over time has doubled. "It's the smartest thing I ever did at the CBC," she cracks. "After going the opposite way he'd listen to very opinion, even if it might have been deemed politically incorrect in the past."

Some speculate first there lies the secret of what one headline writer termed "Rex Appeal." Murphy's affinity for what he calls "ventilating" it is an explanation to which he himself gives some credence. "We've avoided saying out loud things that are perfectly respectable to say out loud," he says with, whaling his umpteenth in conflict between opposites. "I think the idea party exists because we didn't ventilate enough opinions."

But at 40, being seen has prelates calls to national esteem embraced by him as he was long tangle with the same nature of alcohol, he remains wary of partying his popularity too closely. "I don't enjoy it too much because I'm pretty shabby," he says. Still, if he discusses his own wilder life as "a bubble, the most precarious thing," that phenomenon is only likely to grow in size and risk. Next week, *The National* Magazine kicks off the fall TV season.

Rex Murphy's impassioned commentary on public life has made him an unlikely star

in the country's five-star restaurants, where he shares trends with his knowledge of fancy French society life can recall from Milton's *Paradise Lost* by heart, but seldom makes even a passing reference to the party on his screen, in private he is almost prudently opaque. A showman who can expose his opinions to the world without hesitation, he guards his emotional life with a ferocity that leaves squarers off-balance even in trends. "If you speak at all, at least," he says cryptically, "you mislead it."

In Newfoundland, he is known simply as Rex—a household word that suits some 30 years of provincial life. But even there, few know that, behind a man of many words, he began life as Robert Rex Raphael. Like many on the island, his birth date is the subject of dispute and a complex tale, but one thing is certain: the second of five children born to M. Marie and Harry Murphy, he arrived in the northernmost part of Caribou some time in March, 1947, just as the island was in some form of limbo over whether to join Confederation two years later.

From his mother came a reverence for learning and regular pilgrimages to the Caribou library; from his father, an unshakable love of linguistic duels. "Harry only had a Grade 3 or 4 education," he says. "And I think it was an shining goal of his life." By the time he was 13, the family had moved to Freshwater, on Placentia Bay, where Harry had landed a job as a cook on the U.S. military base at Argentia. "He was always bawling words around the house," Rex recalls, but more often, language was a grudge thrown down at the supper table—usually to which young Rex was expected to rise. Now, he compares those sparring matches to Ping Pong, but there is a sense in the telling that the game was not without scars. Intensely shy and always first in his class, Rex had skipped two grades and was handwriting short for his age. "I guess Harry knew people were going to say things," Murphy explains. "So he thought, 'Say them at home. Imagine him up!'"

But at 15, when he arrived at Memorial University in St. John's, Murphy finished the process himself. He signed up for a debate. "I forced myself," he says. "I'd do things like deliberately not prepare, so you'd be tempted to cheat. I had to be as confident as possible so that my defenses would be that much better." The dove himself through the cut and thrust of 40 debates. By the following year, his verbal dexterity won him a berth at a 1965 student union conference in Lunenburg, Que. There, he took on a formidable—and distant—opponent: three-time Joey Smallwood Award. "Joey was an intimidating presence," Murphy says, grudging respect still palpable in his voice. "There's never been anyone like him since."

Smallwood ran Newfoundland like his personal fiefdom, unchallenged, and at the time he was banking in U.S. press reports lauding him for smiting provincial stardom in Confederation status. In Lunenburg, Murphy declared that he was "not interested in the rest of the scheme consisted of how he got an education, in St. John's, Smallwood exploded on provincial TV, shredding Murphy to get back in the province. So strident was Marie Murphy that she took to her bed for a week. By the time her son returned, Smallwood was at Memorial University announcing—this time for real—that he'd taken the lead in the province. "Three cheers for Rex Murphy!" The same day, Murphy was elected president of the student union. In a single stroke, he had discovered two of his life's recurring themes—politics and controversy, both.

For many Newfoundlanders in this day, he remains a legend for that ebullient act of socialism. Three years later, when he graduated with a Rhodes Scholarship

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Films

World-beat screenings

Montreal celebrates big-screen exotica

Famed French actress Jeanne Moreau looked frosty in a black sequenced dress as she strode out on stage last week to officially open the 26th Montreal World Film Festival. A star who first shone during the swirled French New Wave of the 1960s, she has worked with some of cinema's most respected directors (Truffaut, Antonioni, Bresson). At 60, she still epitomizes European élan and class. It was easy to see why the festival, which runs until Sept. 2, would choose her as a symbol of this year's event.

But it was a media screen. Everyone in the audience at Place des Arts knew the real personification of the Montreal festival was Serge Larivière, its founder and director, the shy man who, moments before, had given an abrupt speech while standing in a poorly lit corner of the stage. Usually studiously media-shy, Larivière has in two decades built up a fearsome reputation. To his supporters, he is a purist, a champion of the utmost integrity who has resisted the tawdry charms of Hollywood and stubbornly maintained his vision of the Montreal festival as a film-maker's festival. To his critics, he is an autocrat, a worldly out-of-touch megalomaniac who runs his event like a private fiefdom. It is his arrogance, critics say, that has let Montreal's festival slip from its previous beginnings to become a pure utter to giddy standstill festival elsewhere.

Indeed, after last Thursday's gala premiere of *Shiva the Cow*—a low-budget comedy by American director Eli Huran, who did not show up until the next day—the most whispered question at the post-film party was, where are the celebrities? Particularly when two days earlier, the Toronto International Film Festival had announced its lineup, which included a lengthy, almost non-stop line-up of marquee names and Hollywood players, including Al Pacino, Tom Hanks and Demi Moore.

But that seems to be exactly the way Larivière likes it. At the beginning of the hefty 1986 Montreal program, Larivière writes, in a brief message, that the Montreal festival has become "an obligatory dose of oxygen for those interested in foreign films." And although—typically for the elusive Larivière—he would not talk to *Newsweek*, his beleaguered director of communications, Suzanne Vercasse, outlined his philosophy: "Serge is simply not interested in running a showcase for big-budget movies that will go directly to the major cinema chains," she said. "If he wanted to

present American films and parade a cast of Hollywood stars, he would. But he is far more interested in showing films from Eastern and African."

And, in fact, there will be films from Estonia and Albania, as well as 50 or so other countries, part of the overall \$10-million package. From Bolivia to Mongolia, from Argentina to Zaire, exotic and unknown fare will be abundant. But as far as star-gazing goes, the celebrity-hungry will have to settle for Nicolas Cage, Laura Dern and Nick

Pierre Huarding, the director of the Toronto International Film Festival, is quick to dismiss any such notion, but does say that one reason for his festival's proven ability to attract Hollywood is because Toronto is "friendly, safe and unglorious." The Americans don't feel like they are going to a foreign city, which is important to them.

The Montreal organizers, too, go to great pains to say there is no rivalry between the two festivals—"It's really a media creation," says Vercasse. Still, many speculated that the Montreal festival was crafted last year when beloved native son Robert Laprise chose to debut his much anticipated film *Le conjugal* in Toronto, making simply that it was better for business (presumably assuaging the wounded Quebec movie corps that he would, regardless, be voting 'Yes' in the upcoming sovereignty referendum).

Toronto, with its sleek organization and countless opportunities for networking, offers film-makers, producers and distribu-



Larivière (left), Moreau at opening night film from Estonia to Albania, Bolivia to Mongolia

Nails, the three biggest names scheduled to arrive in Montreal.

But if Montrealers are unsettled, they have not been showing it with their wallets. The attendance at last year's festival was 350,000, leading the festival to bill itself as "the largest publicly attended film festival in the Western world." The Toronto International Film Festival, which does not officially announce attendance figures, estimates that last year there were about 280,000 people.

Another element the Montreal festival likes to promote is that it is one of the world's few competitive "Class A" festivals, as recognized by the International Federation of Film Producers Associations. The others are Cannes, Berlin, Moscow and Venice. Nevertheless, some would argue that the primary source of competition remains the big city in the province next door.

There is one last way to access the North American market—if you have the right credentials. "I know people who have been ravaged by the Toronto experience," says Montreal filmmaker John Hamilton, whose 1985 film *The Mole of the Male Dugout* played at both the Montreal and Toronto festivals. "Toronto's all about business and Hollywood. If you don't have heat, you can't cut it. In '90, I had a film in competition, and I could hardly even get past the doorman at parties. It felt it was poisonous for me to be there."

This year, a film that Hamilton has co-produced, *The Zone*, is entered in the Montreal festival. It was released in Toronto to "no one," says Hamilton, "the Montreal festival is much more fun. Everyone just relaxes and enjoys the films."

ALASTAIR SUTHERLAND in Montreal

Allan Fotheringham

Ross and Rodman and the big time

Nothing succeeds like excess. It's the mantra of the Nineties. In the leading nation on earth, the United States of America, the path to the top is to go over the top, push the envelope until it explodes, make the outrageous seem ordinary.

Our examples today are Ross and Rodman, two showmen who could very well have been exhibited by Barnum & Bailey. Rodman is straightforward and pretends to be a basketball player. Ross is two-dimensional and pretends to be a politician.

Neither of their pretend professions are legitimate: In truth, they are frenzied, stoned practitioners of the art of liposuction, thus becoming the fat masses who don't have the courage or the imagination to do the same.

Ross Pret is off again on his second quack quest to become president of the most powerful nation ever invented. He has as much chance as a fat husband of becoming governor of Quebec. However, he will spend \$245 million of his own money in the quest. He thinks you can buy the White House.

Dennis Rodman is covered with tattoos and his testosterone hair changes hair depending on how he feels each morning as he wakes up. Michael Jordan is the best basketball player in the world, but Dennis suddenly is the most famous basketball player in the world, although he seldom bothers to even chase. He's discovered the key shock. He arrived in downtown Manhattan last week in a home-dress carriage for a book signing, dressed in a lay wife wedding dress with long gloves and a veil over his neatly coiffed, bright orange hair.

Ross Pret is the biggest phony ever to enter politics, with the possible exceptions of Mussolini and Huey Long. Although his whole pitch is anti-government, he made his fortune thanks to government. In 1964, his data processing firm Electronic Data Services, showed a profit of only \$4,000 on revenues of \$400,000.

In 1983, Washington enacted the Medicare and Medicaid programs and the two giant insurance schemes had millions of claims to be processed. Pret's EDS was hired and three years later he was worth \$300 million.

Ross and Rodman have adopted the skills of Madison, who



BY GARY BASEMAN

knows that shock makes money. After posing one so far for a squealed fat hump, she advertised publicly for someone to father her child—and announces that she wants her coming baby to be "a good Catholic just as I am."

In his Dallas high school, Dennis was nicknamed Worm by his peers because at age 15 he was barely five feet tall and weighed 30 lb. He didn't have any friends. He didn't have a date until he was 16. When others played team sports, he walked home to play video games alone in his bedroom.

Ross, after two years in a Texas junior college, entered the U.S. Naval Academy. Studied and ship, he shunned alcohol and partying. The later of Washington "residents" had his father get the help of powerful congressmen to get him out. Before his reputation took on. One of his complaints was of the probity used by his mates.

Rodman has "written" a book, *Just as I Am*, and describes a child's journey. Letters are big and spindled, or small and scattered. It is as if someone had taken type and tossed it into a cup. He has been high on *The New York Times* best-seller list since spring.

Ed Rodman has also written a book. A seasoned Republican backroom operative, he signed on as Pret's campaign manager in 1992—for a whole month before he was fired. The book is *Steve Arnold and Shock Shows*. He was first ordered to write a book about his life since the 1980s. Pret had never had anyone who worked for him when he was "Reduced to basics," writes Rodman. "Pret is the ultimate control freak. He wanted to play in the world he didn't understand and couldn't dominate, but he couldn't bring himself to relinquish the control necessary to compensate for his ignorance."

Dennis, in his book, announces that he wants to play his last National Basketball Association game in the made. NBA commissioner David Stern, informed of this, said: "I will be his last game."

So what we have here are two contracts of society. Pret has been going to the same barber for 30 years for the same bad haircut. Rodman was a case of arrested development, when shooting up to his mandatory pro basketball height. Banging around, he ended up a junior before finally discovering a gift for rebounding and getting a contract in the big.

"I will be your servant," Pret told the media-delegate crowd as he accepted the Illinois Party presidential nomination. He had bought it his campaign elaborately staged at Valley Forge, site of a famous Revolutionary War site in Pennsylvania.

The imagery was as transparent as the candidate, waving his fist against all those huddles in Washington. He got 39 per cent of the vote in 1992 because voters were intrigued by his novelty and, because he believes his own baloney, doesn't realize he may be five per cent that size around—and he doesn't quit halfway through.

Dennis, because he is not a billionaire, only a multimillion, is not so alive. He knows it's all a game, and he's laughing. Ross is serious.

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